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MARKET INTELLIGENCE ON SPIRITS, WINE AND BEER

JANUARY/FEBRUARY 2019

# MARKET WATCH

## BORDEAUX RECAPTURING THE MAGIC

**PLUS**

**CRYSTAL BALL 2019  
MEXICO'S OTHER SPIRITS  
AUSTRALIAN WINE  
TENNESSEE SHOWDOWN**



# EMBRAZEN

## HISTORY UNSCREWED



### JOSEPHINE BAKER

An entertainer, activist, and French Resistance agent. Baker refused to perform for segregated audiences, aided the French Resistance during World War II and was awarded the Croix de Guerre.



### NELLIE BLY

Investigative journalist and adventurer, Nellie Bly smashed expectations for women in journalism by going undercover to explore the dark nature of insane asylums and sweatshops. She turned lore into legacy by traveling the globe in 72 days.



### CELIA CRUZ

The Queen of Salsa, Cruz was an incredibly influential female figure in the history of Cuban and Latin music. After the Cuban revolution she became a symbol of artistic freedom for Cuban American exiles.

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# INTRODUCING EMBRAZEN

CELEBRATING WOMEN OF THE PAST, PRESENT AND FUTURE







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**mw**

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January/February 2019

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Photo by Jeronimo Alba/Alamy

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PHOTO BY (RIGHT) MATT NAGER





**mw**

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Brown-Forman

**Place:**

To be announced

## **SEMINAR AGENDA**

**Thursday, March 7**

**7:30 am–8:45 am:**

Registration, check-in  
and continental breakfast

**9:00 am–12:30 pm:**

Morning Session

## **LUNCHEON**

**12:30 pm–3:00 pm:**

Champagne reception and  
lunch immediately following  
the seminar. There will be a  
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— SPEAKERS —



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CEO | E. & J. Gallo Winery | Modesto, California

**“Transforming Leadership from Two  
Legendary Founders to a New Generation”**



**ALEXANDRE RICARD**

CEO | Pernod Ricard | Paris

**“The Longevity of Luxury”**



**BILL NEWLANDS**

President & COO | Constellation Brands  
Victor, New York

**“Facing the Challenges of a Changing  
Consumer Marketplace”**



**MICHAEL BINSTEIN**

Owner | Binny's Beverage Depot | Chicago

**“Trends in Beverage Alcohol Retailing in  
America”**



**TED SCHLEIN**

Managing Partner | Kleiner Perkins  
Menlo Park, California

**“The Growing Importance of Cyber  
Security”**



**BRUCE LINTON**

CEO | Canopy Growth Corporation  
Smiths Falls, Ontario

**“The Future of Cannabis”**



**TOM BULLEIT**

Founder | Bulleit Bourbon | Lawrenceburg, Kentucky

**“The Trials, Tribulations and Joys of  
Re-Creating Bulleit”**

— MODERATED BY —



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## A Tale Of Two Wine Stars

In this issue, we track progress for two of the wine world's most famous stars: Bordeaux and Australia. In Bordeaux's case, the export market became overheated about a decade ago—mainly due to inflated demand in China. After that boom fizzled, it took a while for Bordeaux to shake the hangover. In the meantime, millennials in the U.S. moved on to other drinks



categories, and a generation was in danger of being lost forever. But Bordeaux is a cyclical business that always bounces back, and right now it's quietly experiencing a remarkable growth run in the U.S. market. By volume, Bordeaux imports into the U.S. are more than 40% higher than they were a decade ago, and the category is up more than 50% by value. It's true that today's en primeur market for Bordeaux classified growths has changed, and is now largely the province of the country's most exclusive retailers. But for all their fame and glory, classified growths represent only a tiny sliver of the big picture. Driving the current boom are the more approachable Bordeaux wines, led by Bordeaux Supérieur and Cru Bourgeois labels. After years of feeling priced out of the market, wine drinkers in America—including millennials—are discovering extraordinary value in Bordeaux wines between \$15 and \$40.

On the other side of the world, Australia has faced a slightly different set of challenges over the same decade. First, a weak Australian dollar put downward pressure on pricing. But perhaps more importantly, Australian wine's image in the U.S. devolved into something of a blank slate—an odd conundrum for a country with so much personality and so many fabulous wines. Having peaked in 2007, Australia's exports began a long period of decline, but now there are strong signals of a recovery. Australian wines in the \$20-\$25 range are growing at around 15% in the U.S. market, and that's true for the above-\$25 tier as well. There's also been a shift in focus, as Australia's wine marketers are now touting expressions like cool-climate Shiraz and educating consumers on the country's more than 60 diverse wine regions. There's still some way to go, but Australia clearly is headed in the right direction.

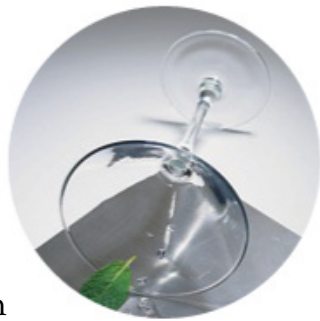
Enjoy the issue,

A handwritten signature in black ink, appearing to read 'M. R. Shanken'.

Marvin R. Shanken



# mw THROUGH THE GLASS



## Constellation Positioned To Sell Off Wine Brands....

Last fall, multiple reports surfaced that Constellation Brands is exploring a selloff of several wine labels—among them Clos du Bois, Cook’s, Arbor Mist, and Mark West—as it looks to premiumize its portfolio. In a statement to Shanken News Daily, Constellation declined to confirm that a sale is in the works, noting only that it’s “considering a variety of potential options to optimize and continue to grow our wine portfolio and profitability.” The brands in question are valued at up to \$3 billion and combine for annual pre-tax earnings of \$260 million.

From a volume perspective, Arbor Mist, Cook’s, and Clos du Bois are among the largest brands in the portfolio, but only Clos du Bois retails at above the \$10 mark, where the drinks giant is increasingly targeting its wine business. Averaging just

under \$14 a 750-ml. at retail, Clos du Bois is now at around 1.9 million cases, according to Impact Databank, and has added approximately 200,000 cases since 2010. Mark West, acquired from Purple Wine + Spirits for \$160 million in 2012, sells for about a dollar less than Clos du Bois on average. The brand nearly doubled in size from 2010-2016, topping 900,000 cases before losing momentum the past couple years.

Arbor Mist (\$4) and Cook’s (\$8), meanwhile, are volume drivers in the sparkling category, but retail at the lower end of the market. The two brands have headed in opposite directions lately, with Cook’s climbing by more than 400,000 cases since 2010 to crack 2 million cases, and Arbor Mist surrendering more than 1 million cases over the same time period, to stand at

around 2.7 million cases. It’s unclear who might acquire the Constellation labels, but The Wine Group and Bronco—both of which have made opportunistic plays over the years—could be among those interested.

## RNDC And LibDib Join Forces....

Republic National Distributing Co. (RNDC) has partnered with Liberation Distribution (LibDib) to marry RNDC’s 22-state distribution footprint to LibDib’s three-tier compliant distribution software. The partnership will allow beverage alcohol producers, regardless of size, to expand distribution via RNDC’s network by listing on LibDib’s platform. LibDib is currently limited to New York and California, but plans to quickly move into additional states with the RNDC partnership. The two companies say they will “share data

and technologies to provide both customers and suppliers with market access, modern selling tools, and the most unique and diverse portfolio in the country.”

## Sogrape Moves Into Lisbon With Winery Purchase....

Portuguese wine group Sogrape Vinhos has acquired Quinta da Romeira, a winemaker located in Bucelas, Portugal, 15 miles outside of Lisbon. The deal, whose price wasn’t disclosed, marks Sogrape’s first entry into the Lisbon wine region. Quinta da Romeira’s labels include Prova Régia and Morgado de Sta. Catherina. Its total property is 180 hectares (445 acres), of which 75 hectares (185 acres) are vineyards, planted with the Portuguese grape varietal Arinto. With this move, Sogrape adds to its regional diversity and reinforces its role as Portugal’s biggest wine group. mw

*The Editors*

## Diageo To Build Major New Kentucky Distillery

Diageo has announced that it will invest \$130 million over three years in a new Kentucky distillery with a capacity of 10 million proof gallons. The facility will consist of a distillery, dry house, and warehousing in Lebanon, Kentucky, with the capability to create a variety of Diageo Bourbon and American whiskey brands, including Bulleit. Construction is slated to begin in summer 2019, with distilling operations commencing in 2021. The site will supplement the company’s other Kentucky operations: the Bulleit Frontier Whiskey Experience at the former Stitzel-Weller Distillery in Louisville, and the Bulleit Distilling Co. production facility in Shelbyville. The latter opened in 2017 on a \$115 million investment, and has a capacity of around 750,000 cases.

Diageo is investing in its Kentucky operations with a view toward ongoing growth in American whiskey. The company’s flagship Bulleit brand has continued to expand markedly, with its U.S. sales up 10% in the year through June 2018.

According to Impact Databank, Bulleit grew from 125,000 cases in the U.S. in 2010 to 1.2 million cases in 2017. The brand is expected to unveil a new \$10 million visitor center at its Shelbyville distillery this summer.



*Diageo will invest \$130 million in its newest Kentucky distillery, which is set have a capacity of 10 million proof gallons and include both a dry house and warehouse spaces.*

PHOTO BY JESSICA EBELHAR/HAWTHORN BEVERAGE



## San Diego: City Welcomes French-Themed, Post-Prohibition-Era Bar

San Diego's historic U.S. Grant Hotel brought back a classic in late October with the unveiling of Rendezvous, a French-themed, post-Prohibition-era bar that has been reimagined. The new bar honors its long-lost predecessor, Rendezvous, The Wonder Bar, which opened in 1933—the year Prohibition was repealed—in the same spot. The modern iteration takes many cues from the original, from vintage décor to sofa-style seating and communal tables. A roaming cocktail cart serves table-side drinks like the traditional Manhattan and Vieux Carré, as well as the Golden Rooster, which mixes Bastille 1789 single malt whisky, Green Chartreuse liqueur, Hardy Le Coq d'Or Pineau des Charentes, and Bittermens TransAtlantic bitters (drinks from the cart are \$16). Standard bar-front cocktail service and large-format punches are also available (cocktails are \$10-\$12; punches are \$35-\$100). Rendezvous' signature drinks include the Arrete Tonchar—made with Fair Quinoa

vodka, Pavan and Granier Mon Pastis liqueurs, and Bainbridge and Cathcart La Danseuse sparkling rosé—and the Mort-Vivant, which blends G'Vine gin, Vieux Pontarlier absinthe, Lillet Blanc aperitif, and Crème Yvette liqueur, shaken with lemon peel. Beverage director Jeff Josenhans makes and cuts his own ice for the bar and offers personalized drinks for guests. Although Rendezvous is located in the U.S. Grant Hotel, it has a stand-alone entrance facing Broadway Avenue and Horton Plaza Park.



*The new iteration of San Diego's Rendezvous (interior pictured) takes cues from its predecessor, from vintage decor to classic cocktails and punches.*

## Connecticut: Stamford Hotel Unveils Tequila Lounge

Stamford, Connecticut's first extended-stay hotel—a Residence Inn by Marriott—opened in November with the Tequila bar and dining lounge One Club. The lobby-based lounge offers more than 20 specialty Tequilas, from Milagro Silver to Casa Noble Reposado to Asombroso Gran Reserva Extra Añejo, and mezcal like Pierde Almas +9 Botanicals (\$11-\$65 a 2-ounce pour). Agave-based specialty drinks (\$12-\$18) like the Smokin' Sage, made with Banhez Joven mezcal, lime juice, muddled sage, and grilled pineapple, are also available. In addition, guests can design their own Margaritas and order Mexican-inspired tapas like shrimp and chorizo paella croquettes and tuna ceviche-stuffed tostones (\$9-\$15). Though agave spirits are the focus, One Club has a full roster of other spirits, as well as wine and beer.



*At One Club (bar pictured) in Stamford, Connecticut, agave spirits and Mexican tapas are the focus.*

## Virginia: Historic Hotel Adds Rooftop Lounge, Wine Bar

The nearly century-old Hotel Weyanoke in Farmville, Virginia—located about an hour from Richmond—reopened in late 2018, bringing with it two modern drinking and dining venues. Debuting in October, rooftop lounge Catbird pours eight craft beers on draft (\$7), including labels from nearby Ballad Brewing, and also lists canned beers (\$5-\$6) and a varied roster of wines (\$7-\$13 a glass; \$24-\$90 a 750-ml.). Cocktails (\$9) like the Jim Beam-based Bourbon Smash and Bacardi-based Berry Mojito are available. Inside the hotel, the fine-dining trattoria Campagna Italian Kitchen & Wine Bar has 35 wine labels (\$9-\$14 a glass; \$30-\$90 a 750-ml.) several of which are from Virginia, as well as its own selection of specialty drinks (\$9) and craft beers (\$6-\$10 a draft pour or bottle).

Laura Pelner



*At the Hotel Weyanoke in Farmville, Virginia, rooftop lounge Catbird (pictured) offers panoramic views.*





Located in the JW Marriott Marco Island Beach Resort, Tesoro (outdoor patio pictured) features Mediterranean-themed cocktails, wines, and beers.

## Marco Island, Florida: Tesoro Offers Adults-Only Beachfront Space

Named after the Spanish word for “treasure,” Tesoro offers an adults-only retreat within southern Florida’s JW Marriott Marco Island Beach Resort. The venue opened in late October, featuring an upscale interior space and outdoor patios that overlook the Gulf of Mexico. Tesoro highlights the Mediterranean, serving food and drinks with roots in France, Italy, Spain, and Greece. The cocktail menu includes Spritzes, Mojitos, Margaritas, and Gin and Tonics (\$15-\$16). Signatures include the French Mojito, made with Bacardi Superior rum, Maison Lejay Lagoute’s Crème de Cassis liqueur, cold-pressed pineapple and lime juices, simple syrup, muddled mint, and seltzer, and the Italian Gin and Tonic, mixing Malfy Con Limone gin, tonic, and fresh mint, garnished with grains of paradise. These are joined by a selection of sangrias (\$16) and boutique European wines like Anima Negra Quíbia and Numanthia Termes Tempranillo (\$12-\$32 a glass; \$46-\$120 a

750-ml.). A handful of imported Mediterranean beers and local craft brews (\$8-\$9 a draft pour or bottle) are also available. Tesoro’s indoor-outdoor bar area offers small plates and flatbreads (\$9-\$18), while the main restaurant has a raw bar and larger seafood entrées (\$9-\$57). The concept has several seating options, from bar stools to plush lounge couches and chairs to swings suspended from the ceiling.



Cleveland’s Ohio City Galley (bar pictured) serves a wide variety of drinks to go with different cuisines.

## Cleveland: Food Hall Boasts Dynamic Bar

Food hall operator Galley Group unveiled its newest property in late October: the 7,500-square-foot Ohio City Galley in Cleveland. The expansive space houses four culinary concepts and a large central bar, which services all four eateries. Because of its scope, the bar has a wide variety of offerings, including more than 30 draft beers (\$5-\$14) and several international wines (\$8-\$12 a glass; \$40-\$60 a 750-ml.), along with signature Cleveland-themed cocktails (\$11). Standout drinks include the Moses Cleveland—named after the city’s founder and mixed with Wild Turkey 101 Bourbon, house-made cinnamon and clove plum syrup and citric acid tincture, and soda—and the House of Wills, blending Leblon cachaça, Olmeca Altos Reposado Tequila, and a house-made syrup comprising pandan, seared pineapple, cane sugar, and serrano pepper.



Grand Tavern (bar pictured) in St. Louis’ Angad Arts Hotel offers modern takes on classic American drinks.

## St. Louis: Chef David Burke Debuts Grand Tavern

New York-based Chef David Burke debuted Grand Tavern in the Grand Arts District of St. Louis in November. The venue, operated with ESquared Hospitality and located in the new Angad Arts Hotel, highlights modern takes on American classics. Anchored by the Sazerac, Manhattan, and Old Fashioned, Grand Tavern’s cocktail menu also includes innovations like the Cue To Cue, made with Monkey Shoulder blended malt Scotch, Château de Beaulon Pineau des Charentes, golden Hojicha tea, lemon oil, and sparkling water, garnished with sliced pear (cocktails are \$10-\$18). These join a roster of local craft beers (\$5-\$8 a draft pour, can, or bottle) and varied wines (\$9-\$28 a glass; \$34-\$690 a 750-ml.).

**mw**

Laura Pelner

PHOTO BY (CENTER) JULIE GRIFFITH





1

**AS PICTURED:**

**1.** Model Alex Lundqvist and actress Keytt Lundqvist attended a cocktail party hosted by England's 8<sup>th</sup> Earl & Countess of Carnarvon of Highclere Castle in celebration of the soon-to-be launched Highclere Castle gin at the Soho Grand Hotel in New York City on November 14.

**2.** Eighth-generation Hennessy family member Maurice Hennessy and investor and television personality Daymond John visited the Hennessy X.O Holiday Personalization Studio pop-up experience at Grand Central Station in New York City on November 30.

**3.** Huston Wells, Franklin County, Kentucky's judge-executive, presided over the 20<sup>th</sup> annual "Lighting of the Trace" at Buffalo Trace Distillery in Frankfort, Kentucky on November 29.

**4.** Working together as the Fenghuang Fighters, bartenders Caer Ferguson and Sharon Yeung won Espolòn Tequila's annual COCKtail Fights Tag Team National Championship at Gramercy Theater in New York City on November 19.



2



4



5



3

**5.** Master pizzaiolo Tony Gemignani won the Antonio Mezzero All-Stars Pizza Championship in Porto, Portugal, placing first in the Port Wine category with his use of partner Croft Port's 20-year-old Tawny, on November 28.

**6.** Actress and Jim Beam global brand partner Mila Kunis sat with Beam's 7<sup>th</sup> generation master distiller Fred Noe after making a surprise appearance at Proxi and a host of other local bars in Chicago in celebration of the 85<sup>th</sup> anniversary of the repeal of Prohibition on December 5.

**7.** FROM LEFT: Bar 44 director Owen Morgan; Consejo Regulador Rioja DOCA marketing director Ricardo Aguiriano; master of wine Sarah Jane Evans; broadcast journalist Raul Diaz; and master of wine Pedro Ballesteros Torres attended the Rioja Recognizes awards, which highlighted awareness of Spain's Rioja wine region, at Eneko Basque Kitchen & Bar in London on November 21.

mw

Jessica Beebe



6



7



### Basil Hayden's 10-Year-Old Bourbon

*Beam Suntory* has extended its Basil Hayden's brand with a limited-edition 10-year-old release. Basil Hayden's 10-year-old Bourbon (\$60 a 750-ml.) is bottled at 40% abv and is expected to return on an annual basis during the holiday season. The Bourbon is available nationwide. For more information, visit [Basilhaydens.com](http://Basilhaydens.com).

### Knob Creek Twice Barreled Rye

*Beam Suntory* also extended its Knob Creek brand with the limited-edition Twice Barreled rye. The new label features a base of Knob Creek's flagship straight rye that's finished in new, charred American oak barrels prior to bottling at 50% abv. Knob Creek Twice Barreled rye (\$55 a 750-ml.) is available nationwide. For more information, visit [Knobcreek.com](http://Knobcreek.com).

### Patrón Estate Release

*Bacardi* is adding a new expression to the Patrón Tequila lineup. Patrón Estate Release (\$100 a 750-ml.) is distilled from 100% Blue Weber agave from the grounds of Hacienda Patrón. The 42% abv spirit will be exclusive to the United States and will be in limited supply in select markets. For more information, visit [Patrontequila.com](http://Patrontequila.com).

### Cruzan Hurricane Proof

*Beam Suntory* has launched the new Cruzan Hurricane Proof rum, which will

see the company donate \$1 from every case sold to ongoing hurricane relief efforts. The 68.5% abv rum (\$20 a 750-ml.) is made in St. Croix, which continues to rebuild following the devastation of hurricanes Maria and Irma in 2017. Cruzan Hurricane Proof is available nationwide. For more information, visit [Cruzanrum.com](http://Cruzanrum.com).

### Saint Lucia Chairman's Reserve 1931

Importer *Spiribam* has added Saint Lucia Distillers Chairman's Reserve 1931 to its portfolio. The 46% abv spirit is a blend of rums distilled from Coffey and copper pot stills, and matured for 6-11 years in Bourbon and Port casks. Saint Lucia Chairman's Reserve 1931 (\$100 a 750-ml.) will be available alongside Chairman's Reserve Original, Spiced, and Forgotten Casks across the U.S. For more information, visit [Chairmansreserverum.com](http://Chairmansreserverum.com).

### Shrubb J.M.

*Spiribam* is also importing a new orange liqueur from Martinique rum producer Rhum J.M. Shrubb J.M. (\$35 a 750-ml.) is made using a historic recipe that includes rum, spices, sugar, and bitter oranges. The 35% abv liqueur is available nationwide. For more information, visit [Rhumjm.com](http://Rhumjm.com).

### Appleton Estate 30-Year-Old

*Campari Group's* Appleton Estate has released a limited-edition, aged expression. A blend of rums aged for a minimum

of 30 years—with some in barrel for more than 50 years—Appleton Estate 30-year-old (\$495 a 750-ml.) is 43% abv. A total of 900 bottles out of 4,000 will be available in the U.S. in select markets. For more information, visit [Appletonestate.com](http://Appletonestate.com).

### Devils River Rye and Barrel Strength Bourbon

Texas-based *Devils River Whiskey* has debuted two new expressions. Devils River Rye (\$35 a 750-ml.) is a 45% abv blend of 51% rye, 45% corn, and 4% barley, while Devils River Barrel Strength Bourbon (\$40) clocks in at 58.5% abv. Both whiskeys are currently available in 11 states and join the flagship Small Batch Bourbon in Devils River's permanent portfolio. For more information, visit [Devilsriverwhiskey.com](http://Devilsriverwhiskey.com).

### Sunora Bacanora

*Amigo Brands* is introducing a bacanora and two bacanora liqueurs, made in Sonora, Mexico. The range includes the 42% abv Sunora Blanco bacanora (\$45 a 750-ml.), the 15% abv Sunora Cream de Bacanora Mocha (\$25), and the 15% abv Sunora Cream de Pineapple Colada. The spirits are available in Arizona, California, Colorado, Missouri, New Mexico, and Nevada. For more information, visit [Sunorabacanora.com](http://Sunorabacanora.com).

### Red Spot

*Pernod Ricard's* Irish Distillers unit has reintroduced a once-discontinued single



**BASIL HAYDEN'S  
10-YEAR-OLD BOURBON**



**PATRÓN  
ESTATE RELEASE**



**CRUZAN  
HURRICANE PROOF**



**SAINT LUCIA CHAIRMAN'S  
RESERVE 1931**



pot still whiskey brand. Red Spot Single Pot Still Irish whiskey (\$120 a 750-ml.) was last offered in the 1960s. The whiskey is triple-distilled and aged for a minimum of 15 years in a combination of Bourbon, Oloroso Sherry, and Marsala casks, then bottled without chill-filtration at 46% abv. Red Spot joins the Green and Yellow Spot brands in the Spot Irish whiskey family and is available nationwide. For more information, visit [Spotwhiskey.com](http://Spotwhiskey.com).

### 2008 Domaines Hine Bonneauil

Importer *Hotaling & Co.* is adding a new single-harvest estate Cognac from the Hine brand. 2008 Domaines Hine Bonneauil (\$140 a 750-ml.) is the latest single-harvest estate Cognac, following 2005 and 2006 vintages. The 43% abv Cognac is available in limited amounts nationwide. For more information, visit [Hinecognac.com](http://Hinecognac.com).

### Dogfish Head Alternate Takes: Volume 1 Whiskey

*Dogfish Head Distilling Co.*—part of Delaware-based Dogfish Head Brewery—has released its first whiskey. Alternate Takes: Volume 1, Whiskey Finished in Rum Casks (\$45 a 750-ml.) is made with specialty malts and the brewery's proprietary yeast, then aged in new charred oak barrels and finished in casks that previously held the distillery's Barrel Honey Rum. It's the first in a series of experimental spirits from the distillery. The whiskey is available in

Delaware, Maryland, Virginia, and Washington, D.C. For more information, visit [Dogfish.com](http://Dogfish.com).

### Mezcales de Leyenda Cuixe

M.S. *Walker* has introduced a new limited-edition mezcal from Mezcales de Leyenda. Made from Oaxaca-sourced Cuixe—a sub-variety of *Karwinskii* agave that takes 12-15 years to fully mature—the agave is hand-harvested and roasted underground for six days, then hand-crushed for four additional days. Leyenda Cuixe Mezcal (\$110 a 750-ml.) is fermented in open-air vats and double-distilled in copper stills before being bottled at 48% abv. Cuixe is available in California, Illinois, Massachusetts, New York, and Texas, and joins a core line of Durango, San Luis Potosí, Puebla, Guerrero, and Oaxaca mezcal in the Mezcales de Leyenda portfolio. For more information, visit [Mezcalesdeleyenda.com](http://Mezcalesdeleyenda.com).

### Heaven's Door 10-Year-Old Tennessee Straight Bourbon

*Heaven's Door Spirits*, a collaboration between musician Bob Dylan and Spirits Investments Partnership, is releasing a 10-year-old Tennessee Straight Bourbon (\$130 a 750-ml.), its fourth overall offering. The 50% abv expression joins Tennessee Bourbon, Double Barrel whiskey, and Straight rye in the Heaven's Door lineup. The ornate bottle features renditions of Dylan's wrought-iron artwork, and the case contains lyric

sheets to his songs "Maggie's Farm" and "Subterranean Homesick Blues." The whiskey is available in 16 states. For more information, visit [Heavensdoor.com](http://Heavensdoor.com).

### Creekbend Brandy

Bloomington, Indiana-based craft distillery *Cardinal Spirits* is releasing Creekbend brandy, made in collaboration with Oliver Winery. The 40% abv spirit is named for Oliver Winery's Creekbend Vineyard outside Bloomington, the source of the brandy's Catawba grapes, and aged in toasted oak barrels. Creekbend brandy (\$30 a 375-ml.) is currently available in Indiana and New York. For more information, visit [Cardinalspirits.com](http://Cardinalspirits.com).

### Templeton Barrel Strength Straight Rye

*Templeton Rye* has introduced a new, limited-edition whiskey. Aged in flame-charred American oak barrels, Templeton Barrel Strength rye (\$60 a 750-ml.) is non-chill filtered and bottled at 57.2% abv. The limited-edition whiskey is available nationwide. For more information, visit [Templetonrye.com](http://Templetonrye.com).

### St. George Breaking & Entering

Alameda, California-based *St. George Spirits* has reintroduced a new blend under its Breaking & Entering whiskey label. The 43% abv whiskey is made with straight Bourbon sourced from Kentucky and Tennessee, straight rye



RED SPOT



2008 DOMAINES HINE  
BONNEUIL



DOGFISH HEAD ALTERNATE  
TAKES: VOLUME 1 WHISKEY



MEZCALES  
DE LEYENDA CUIXE



from Tennessee, and St. George's own malt whiskey. St. George Breaking & Entering (\$40 a 750-ml.) is available in 29 markets. For more information, visit [Stgeorgespirits.com](http://Stgeorgespirits.com).

### Rhetoric 25-Year-Old

*Diageo* has unveiled the sixth and final release in its Rhetoric series of American whiskeys from the Orphan Barrel line. Rhetoric 25-Year-Old Kentucky Straight Bourbon (\$140 a 750-ml.) has a mashbill of 86% corn, 8% barley, and 6% rye, and was bottled at 45.5% abv. The Bourbon follows 20-year-old, 21-year-old, 22-year-old, 23-year-old, and 24-year-old expressions in Orphan Barrel's Rhetoric series and is available nationwide in limited quantities. For more information, visit [Orphanbarrel.com](http://Orphanbarrel.com).

### Knappogue Castle French Oak Cask Finish 12-Year-Old

*Castle Brands*-owned Knappogue Castle Irish whiskey has launched the first offering in its Cask Finish Series. The new entry is a variation on the brand's 12-year-old single malt Irish whiskey, and is finished in French oak casks from Bordeaux winery Château Pichon Baron. The 46% abv whiskey (\$80 a 750-ml.) is available in select markets. Two more additions to the Cask Finish Series—Barolo and Marsala cask expressions—are planned for this year. For more information, visit [Knappoguewhiskey.com](http://Knappoguewhiskey.com).

### Rihei Ginger Shochu

California-based importer *Vine Connections* has added shochu brand Rihei Ginger to its import portfolio. Distilled from a mixture of 50% barley, 30% rice, and 20% Japanese heirloom ginger, the 38% abv Rihei Ginger (\$55 a 750-ml.) is made in Japan's Miyazaki Prefecture at the Ochiai Distillery. The new spirit is rolling out nationwide. For more information, visit [Ochiaishuzojyo.jp](http://Ochiaishuzojyo.jp).

### Kentucky Peerless 3-Year-Old Straight Rye

Louisville-based *Kentucky Peerless Distilling Co.* is rolling out its 3-Year-Old Kentucky Straight rye whiskey (\$125 a 750-ml.). The release adds another year of age to the distillery's existing rye as stocks mature. Kentucky Peerless 3-Year-Old Straight rye is available nationwide. For more information, visit [Kentuckypeerless.com](http://Kentuckypeerless.com).

### Blood x Sweat x Tears Vodka

Start-up spirits company *Wolf Spirit LLC* has launched Blood x Sweat x Tears vodka, its first product to hit the U.S. market. Made in Eugene, Oregon with locally sourced ingredients, Blood x Sweat x Tears (\$28 a 750-ml.) is triple-distilled and freeze-filtered. Umberto Luchini—formerly vice president of marketing at Campari America—founded Wolf Spirit in 2016. The brand is currently available in California,

Colorado, and Oregon. For more information, visit [Wolfspiritdistillery.com](http://Wolfspiritdistillery.com).

### Bondi Bourbon

*Bondi Bourbon* has launched its eponymous whiskey, produced at Minnesota's Panther Distillery. The 40% abv Bourbon is made from locally sourced corn and matured for four years. Bondi Bourbon (\$40 a 750-ml.) is available in Minnesota, Nebraska, and California, with expansion planned. For more information, visit [Bondibourbon.com](http://Bondibourbon.com).

### Banhez Single Varietal Mezcal

New York-based specialty importer *CNI Brands* launched five new single varietal expressions in the Banhez Mezcal Artesanal line, including 100% Wild Tepeztate (\$90 a 750-ml.), 100% Wild Arroqueño (\$105), 100% Wild Cuishe (\$85), 100% Wild Tobalá (\$105), and Pechuga (\$90). Banhez's new single-varietal mezcals are sourced from a cooperative of family-run *palenques* in Ejutla, Oaxaca. The mezcals are available in select markets. For more information, visit [Banhezmezcal.com](http://Banhezmezcal.com).

### Dzama Rums

*Park Street* is importing a new line of rums from Madagascar, ranging in age from 3 weeks to 4 years old. The Dzama Rum lineup includes the 40% abv Classique Cuvée Blanche (\$20-23 a 750-ml.), 40% abv Classique Cuvée Noire (\$20-\$23), 40% abv Prestige



ST. GEORGE BREAKING & ENTERING



RHETORIC 25-YEAR-OLD



KNAPPOGUE CASTLE FRENCH OAK CASK FINISH 12-YEAR-OLD



RIHEI GINGER SHOCHU



Cuvée Blanche (\$35), 40% abv Prestige Cuvée Noire (\$40), 42% abv Blanc de Nosy Be (\$40), and 52% abv Ambre de Nosy Be (\$50). The rums are available in seven states. For more information, visit [Dzamarums.com](http://Dzamarums.com).

### Bosman Family Vineyards Fides Grenache Blanche

New York City-based importer *Wine for the World* has launched an orange wine from South Africa's Bosman Family Vineyards. Bosman Family Vineyards Fides Grenache Blanche (\$26 a 750-ml.) is naturally fermented and macerated on the skins, resulting in a textured wine with fine tannins. The wine is available on the East Coast. For more information, visit [Wine4theworld.com](http://Wine4theworld.com).

### Lonely Cow Rosé

R.S. Lipman launched a new rosé in its Lonely Cow New Zealand wine brand. Lonely Cow Rosé (\$13 a 750-ml.) is cold-fermented in stainless steel tanks and has flavors of fresh raspberry and strawberry, with crisp acidity. The wine is available in Tennessee, with expansion planned. For more information, visit [Rslipman.com](http://Rslipman.com).

### Quinta do Ataíde

*Vineyard Brands* is launching a Portugal-sourced wine label from Symington Family Estates, Quinta do Ataíde. The brand includes a DOC Douro Red (\$23 a 750-ml.) and a Vinha do Arco DOC

Douro Red (\$35). Both are grown in the arid Vilarica Valley of Portugal—a subdivision of the Douro Valley—and made from organic grapes. The DOC Douro Red is a blend of Touriga Nacional, Touriga Franca, Tinta Barroca, Tinta Roriz, and Tinta Cão, while the Vinha do Arco is 100% Touriga Nacional. The wines are available nationwide. For more information, visit [Vineyardbrands.com](http://Vineyardbrands.com).

### West + Wilder Sparkling Wines

Santa Rosa, California-based West + Wilder has added two new canned offerings to its range of West Coast wines. West + Wilder Sparkling White (\$20 a 3-pack of 8.4-ounce cans) is a blend of coastal Sauvignon Blanc, Chenin Blanc, and Albariño, while West + Wilder Sparkling Rosé (\$20) is made from Pinot Noir and Pinot Gris. Both wines are available in 11 states and join a lineup that includes White and Rosé wines. For more information, visit [Westandwilder.com](http://Westandwilder.com).

### Herzog Special Reserve and Ramon Cardova Albariños

New Jersey-based *Royal Wine Corp.* has added two new Albariño wines to its portfolio. The newcomers include a Herzog Special Reserve Albariño from California's Edna Valley (\$30 a 750-ml.) and a Ramon Cardova Albariño from Spain's Rias Baixas region (\$22). Both new Albariños are kosher and are available in select markets. For more information, visit [Royalwine.com](http://Royalwine.com).

### Lustau Amontillado del Castillo 1/38

*House of Lustau* has introduced an Amontillado Sherry to its Almacenista range. Amontillado del Castillo 1/38 (\$35 a 750-ml.) is from Almacenista Antonio Caballero y Sobrinos and aged for 18 years in a limited solera of 38 casks inside a medieval castle in El Puerto de Santa Maria. The wine is available nationwide. For more information, visit [Lustau.es](http://Lustau.es).

### Ski Vermont Cabernet Sauvignon

Boston-based 90+ *Cellars* is offering a limited-edition wine created in partnership with tourism group Ski Vermont. Ski Vermont Cabernet Sauvignon (\$15 a 750-ml.) is sourced from California. The company will donate \$1 from each bottle's sale to Ski Vermont to support student scholarships. The wine is available in Vermont, Massachusetts, and Connecticut. For more information, visit [Ninetypluscellars.com](http://Ninetypluscellars.com).

### Original Sin Unfiltered Series

New York hard cider producer *Original Sin* will augment its line of apple, pear, and other ciders with a limited Unfiltered Series. Each made with a single apple varietal, the first in the Unfiltered line (\$12 a 6-pack of 12-ounce cans)—the 6% abv McIntosh—began rolling out in December. The 5% abv Fuji will follow next summer, followed by limited quantities of 6.7% abv



**BOSMAN FAMILY VINEYARDS  
FIDES GRENACHE BLANCHE**



**LONELY COW  
ROSÉ**



**QUINTA DO ATAÍDE  
VINHA DO ARCO**



**WEST + WILDER  
SPARKLING WHITE**



Golden Russet and 6.7% abv Northern Spy later this year. The ciders are available in 30 states. For more information, visit [Origins.com](http://Origins.com).

### Wild Basin

*Oskar Blues Brewery* is launching Wild Basin hard seltzer, the craft brewer's first foray into the growing category. The 5% abv seltzer will launch with four flavors: Cucumber Peach, Melon Basil, Lemon Agave Hibiscus, and Classic Lime (\$17-\$18 a mixed 12-pack of 12-ounce cans). All four flavors have 100 calories per serving and zero grams of sugar, and are gluten-free. The company will donate \$1 for every case sold to the Can'd Aid Foundation, which supports river preservation. Wild Basin is initially rolling out in Colorado and North Carolina, with plans for expansion. For more information, visit [Oskarblues.com](http://Oskarblues.com).

### Pyramid Yeah Baby! Cryo-Hopped IPA

Seattle-based *Pyramid Brewing Co.* has launched a new beer featuring particularly intense hoppy flavors. Yeah Baby! Cryo-Hopped IPA (\$10 a 6-pack of 12-ounce cans) uses liquid nitrogen to lower the temperature of some of the hops during processing, creating more resins and oils in the finished brew. The 6.5% abv beer is available in Washington and Oregon, with expansion to other western states planned. For more information, visit [Pyramidbrew.com](http://Pyramidbrew.com).

### Pura Still

Rochester, New York-based *Fifco USA*, formerly North American Breweries, is launching a new spiked still water offering. Pura Still (\$9 a 6-pack of 11.2-ounce bottles) is uncarbonated and will come in three flavors—Blackberry, Mango, and Mandarin Orange. The 4.5% abv beverage has 90 calories, one gram of sugar, and two grams of carbohydrates a serving. Pura Still is available nationwide. For more information, visit [Purastillbeverage.com](http://Purastillbeverage.com).

### Guinness Stout Aged in Bulleit Bourbon Barrels

*Diageo's* Guinness Open Gate Brewery & Barrel House in Halethorpe, Maryland has released its first barrel-aged beer. Featuring a base of the flagship Dublin-brewed Guinness Antwerpen stout, the Guinness Stout Aged in Bulleit Bourbon Barrels (\$20 a 4-pack of 11.2-ounce bottles) spent eight months maturing in Bulleit casks prior to bottling. The 10% abv beer is available in limited amounts nationwide. For more information, visit [Guinnessbrewerybaltimore.com](http://Guinnessbrewerybaltimore.com).

### Common Cider Ginger Pear

Auburn, California-based *Common Cider* is releasing a seasonal offering made from Bartlett and D'Anjou pear varieties grown in Washington and Oregon, along with ginger juice. Inspired by Jamaican ginger beer, Ginger Pear (\$16 a 6-pack of 12-ounce cans) is available in California and Nevada, with expansion

planned. For more information, visit [Commoncider.com](http://Commoncider.com).

### Major Hemp H-IPA

Major Hemp, a Colorado-based subsidiary of *Sipp Industries*, is partnering with suburban Chicago craft player Church Street Brewing Co. to produce a new hemp-infused beer called Major Hemp H-IPA (\$12 a 4-pack of 16-ounce cans). The move follows the 2018 launch of Major Hemp Brown ale, a hemp-infused ale produced in a partnership between Major Hemp and Sleeping Giant Brewing Co. of Denver. Major Hemp H-IPA is available in Illinois. For more information, visit [Whereismajorhemp.com](http://Whereismajorhemp.com).

### Grainwave Belgian-Style White Ale

*Ceria Brewing Co.*, led by former Blue Moon brewmaster Keith Villa, has released Grainwave Belgian-Style White ale, a de-alcoholized, THC-infused cannabis beverage. The beverage contains 5 mg. of THC that will affect the body in a timespan comparable to alcohol. Grainwave (\$9 a 10-ounce bottle; \$36 a 4-pack) is available in Colorado dispensaries, with expansion planned for other states where recreational cannabis use has been legalized. Villa plans to release two more offerings—a 2.5-mg. THC American lager and a 10-mg. THC IPA—later this year. For more information, visit [Ceriabeverages.com](http://Ceriabeverages.com). mw

*The Editors*



WILD BASIN CLASSIC  
LIME HARD SELTZER



PYRAMID YEAH BABY  
CRYO-HOPPED IPA



PURA STILL  
SPIKED WATER



GUINNESS STOUT AGED  
IN BULLEIT BOURBON BARRELS



## Svedka

Amid highly competitive conditions in the vodka category, Constellation Brands is backing Svedka—the fourth-largest vodka brand in the U.S. at 4.4 million cases, according to Impact Databank—with a new “Bring Your Own Spirit” campaign. The multi-million-dollar push marks the Swedish import’s first national campaign in a half-decade. Comprising TV, digital, and social components, the ads are designed to appeal to a young, participatory audience by encouraging them to interact with Svedka and assert their individuality. “We’re confident that ‘Bring Your Own Spirit’ will resonate heavily with a millennial audience, while also speaking to consumers who seek a brand with authenticity, originality, and a diverse mindset,” says CMO Jim Sabia. Svedka, which retails in the \$10-\$15 segment, has continuously expanded—adding 400,000 cases to its U.S. total over the last four years—even as the rise of brands like Tito’s and New Amsterdam has put pressure on many of the vodka category’s longtime stalwarts. In the 12 weeks through November 4, 2018, the brand rose 6.6% in IRI channels. Sabia notes that while the unflavored 40% abv vodka remains the core of the franchise, Svedka’s flavors—which include Blue Raspberry, Vanilla, Cherry, Orange Cream Pop, Cucumber Lime, and Peach, among others—have also been faring well recently.

Danny Sullivan



## Hope Estate

Australian wine continues to face challenges in the U.S. market, with shipments down 8% to A\$424 million (\$314 million) in the year through June 2018. Still, the category’s \$15-and-above segment has outperformed the rest of the market, with consumers gravitating to higher-priced bottlings. Among the Australian wineries making a push at the premium level is Hunter Valley-based Hope Estate, whose wines are imported by Wine-sellers, Ltd. “Australia’s unique, region-focused wineries have the real potential now for rebooting the country’s wine industry,” says owner and founder Michael Hope. Hope Estate has volume of about 80,000 cases annually, with roughly 10% coming to the U.S. Hope Estate’s core lineup includes four estate-grown, site-specific wines: Wollombi Brook Estate Sémillon (\$14 a 750-ml.), Mountain Wash Estate Chardonnay (\$14), Basalt Block Estate Shiraz (\$14), and The Ripper Shiraz (\$18). The first three are sourced from Hunter Valley vineyards, while The Ripper is from Hope Estate’s Knob Hill vineyard, located nearly 3,000 miles away in the Geopraphe region of Western Australia. Hope sees significant opportunity for the Wollombi Brook Sémillon in particular, which came to the U.S. in late 2018. “Sémillon is going to be a major focus for us,” he says. “I’m confident there’s potential for it both by the glass and at retail.” A higher-end, 11-year-old Signature Sémillon (\$27) is launching this year, targeted at the on-premise, along with a canned red blend and white wine.

Julia Higgins



## Champagne Palmer

In July 2018, Champagne Palmer named Constellation Brands as its U.S. distributor, becoming the first Champagne label in Constellation’s luxury wine division, Tru Estates and Vineyards. Champagne Palmer & Co. was founded in 1947 by seven grower-producers who merged their holdings to create an elite international brand. Today the brand’s ownership includes over 300 growers, and the company produces 80,000 9-liter cases of Champagne annually, 70% of which are exported. Palmer initially entered the U.S. in 2015 with González Byass USA. The company has over 4 million bottles in stock and owns more than 1,000 acres of vineyards. Chardonnay is its signature grape. Palmer Brut Réserve (\$60 a 750-ml.), for example, has a 50%-55% share of Chardonnay in its blend. The Blanc de Blancs (\$85) is often considered the company’s defining label. Palmer is also known for its lengthy aging practices; its Brut Réserve gets 4-4½ years on the lees, while the Blanc de Blancs gets 5-6 years. Palmer’s U.S. focus will also include Palmer Réserve rosé (\$80), comprised of 40%-45% Chardonnay, 40%-45% Pinot Noir, and 10%-15% Pinot Meunier and aged three years on the lees. The portfolio also includes vintage releases, currently led by the 2009 vintage (\$125). There are also such rarities as 1985 Blanc de Blancs and vintage Bruts from 1978 and 1996, among others. Under Tru’s guidance, Palmer’s sales focus will be squarely on the on-premise and fine wine retail venues.

mw

David Fleming







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# Bordeaux

## REWIND

*In the wake of a difficult 2017 harvest, the region is fighting to expand its sales*

BY H. LEE MURPHY

**B**ordeaux continues to be remarkably resilient, and its sales in the U.S. market are hitting new peaks despite a number of obstacles that remain in its path. The renewed interest in Bordeaux wines is centered on both U.S. coasts, as many retailers in the middle of the country long ago stopped attending the region's spring en primeur tastings as part of its futures campaign. But major players on each coast, like Sherry-Lehmann, Zachys Wine & Liquor, K&L Wine Merchants, and Wally's Wine & Spirits, continue to invest heavily in first-growth futures, as well as those of other classified wines.

"The quality from Bordeaux has been incredibly high—the wines have never been better," notes Ralph Sands, Bordeaux specialist at K&L Wine Merchants, the three-store chain based in Redwood City, California. "There are very few underperformers in quality terms right now. The winemakers have been at the top of their game for most of the past decade."

Consumers seem to be taking note. In 2017, U.S. imports of Bordeaux rose by 6% to 2.22 million 9-liter cases, according to Impact Databank, and that performance followed a 6% gain in 2016. Back in 2009, in the wake of the recession, imports were 42% lower, at just 1.29 million cases. The rebound is even more impressive in value terms—shipments to the U.S. in 2017 jumped 18% to €231.5 million (\$263.9 million), whereas in 2010, Bordeaux shipments were worth a mere €99 million (\$132 million), some 57% lower.



PHOTO BY DEEPIX STUDIO





*Despite a rough 2017 harvest, Bordeaux (Château Calon Ségur barrel cellar pictured) has bounced back in the U.S., growing 6% in 2018 to 2.22 million 9-liter cases, according to Impact Databank.*



## BORDEAUX WINE EXPORT SHIPMENTS TO THE U.S.

Color/Type <sup>1</sup>	Volume (thousands of 9-liter cases)						Value (millions of euros)					
	Calendar Year		Percent Change <sup>2</sup>	10 Months Ending October		Percent Change <sup>2</sup>	Calendar Year		Percent Change <sup>2</sup>	10 Months Ending October		Percent Change <sup>2</sup>
	2016	2017		2017	2018		2016	2017		2017	2018	
<b>Red/Rosé</b>	<b>1,764</b>	<b>1,931</b>	<b>9.4%</b>	<b>1,618</b>	<b>1,574</b>	<b>-2.7%</b>	<b>€175.0</b>	<b>€209.6</b>	<b>19.8%</b>	<b>€170.3</b>	<b>€217.1</b>	<b>27.5%</b>
Bordeaux Supérieur	196	206	4.9	175	159	-9.0	10.8	12.9	19.4	11.0	12.4	12.3
Côtes de Bordeaux	141	103	-26.6	87	88	1.2	7.5	6.3	-16.0	5.3	6.2	16.9
Graves and Pessac Léognan	39	35	-9.8	29	33	13.4	9.1	8.0	-11.9	6.7	9.1	34.7
Médoc and Haut-Médoc	110	139	26.4	108	106	-1.1	9.9	12.4	25.4	9.3	10.5	13.0
Communes du Médoc	143	158	10.5	132	157	19.7	50.3	60.4	20.1	50.2	64.5	28.7
Saint-Émilion	114	130	14.0	103	131	27.4	17.7	21.0	18.5	16.7	25.4	52.7
Other Libournais	65	60	-7.6	52	57	9.5	10.4	11.3	8.6	9.1	15.3	67.2
Bordeaux Rosé and Claret	42	44	4.7	43	40	-6.6	1.5	1.7	13.6	1.6	1.8	14.5
Other Red/Rosé	914	1,055	15.5	890	801	-10.0	57.9	75.7	30.8	60.4	71.9	19.1
<b>White</b>	<b>338</b>	<b>291</b>	<b>-13.9</b>	<b>255</b>	<b>271</b>	<b>6.3</b>	<b>21.6</b>	<b>21.9</b>	<b>1.4</b>	<b>18.7</b>	<b>18.7</b>	<b>-0.1</b>
Entre-deux-Mers	34	29	-14.5	26	29	11.8	1.2	1.0	-17.2	0.9	1.2	29.8
Other Dry White	9	10	12.2	9	6	-35.3	0.4	0.6	58.2	0.6	0.3	-44.6
Graves and Pessac Léognan	39	23	-40.6	20	22	11.5	8.9	3.1	-65.1	2.8	2.0	-28.8
Sauternes Barsac	18	22	19.2	20	14	-27.4	5.1	6.6	27.8	5.4	4.9	-9.2
Other Sweet White	13	8	-40.6	7	7	14.2	0.8	0.5	-33.0	0.4	0.4	-5.2
Other White	225	199	-11.5	173	192	10.5	5.0	10.0	97.7	8.6	9.9	14.9
<b>Total Bordeaux</b>	<b>2,102</b>	<b>2,221</b>	<b>5.7</b>	<b>1,872</b>	<b>1,844</b>	<b>-1.5</b>	<b>196.6</b>	<b>231.5</b>	<b>17.8</b>	<b>189.0</b>	<b>235.8</b>	<b>24.8</b>
Bottled	2,070	2,205	6.5	1,858	1,829	-1.6	194.1	229.5	18.2	187.3	233.2	24.5
Bulk	32	16	-49.5%	14	15	8.5%	€2.4	€1.5	-39.9%	€1.6	€2.6	61.1%

<sup>1</sup> Addition of columns may not agree due to rounding.

<sup>2</sup> Based on unrounded data

Sources: Business France and IMPACT DATABANK ©2019



At Binny's Beverage Depot (Lincolnwood, Illinois interior pictured), wine director Barbara Hermann says that Bordeaux buyers are rediscovering the value of second labels, with many being offered at accessible price points far below futures sales.

Two great vintages in 2015 and 2016 get some of the credit for this renaissance. But just as important is the rising recognition of quality in the lesser-priced petits châteaux that have displaced classified growths on many retail shelves. Bordeaux importer Michael Corso, founder and managing partner of

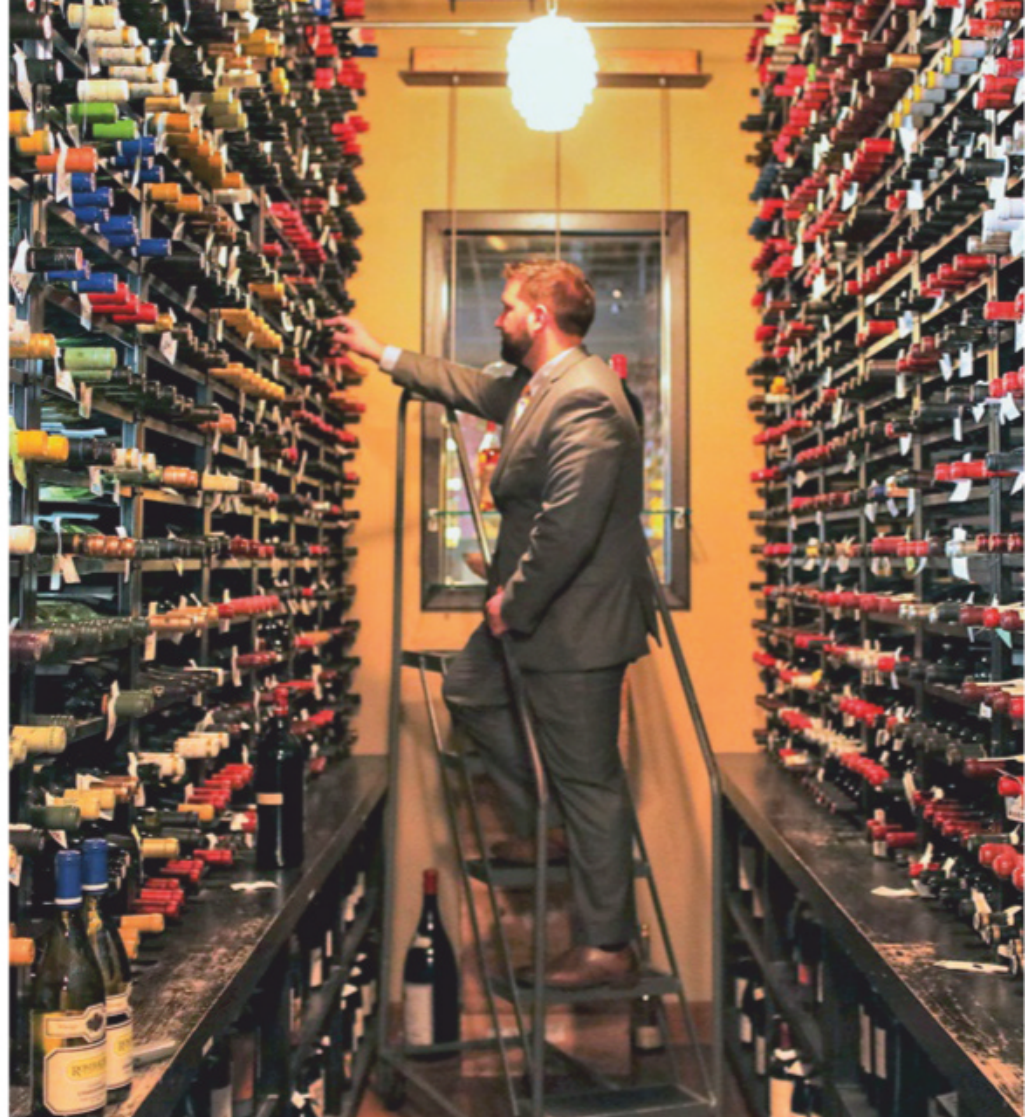
Michael Corso Selections in Oak Park, Illinois, is having success with Château Tour de Gilet, a Bordeaux Supérieur retailing at \$15 a 750-ml. in most stores. Corso strikes his own deals directly with the producer, which gives him better margins. "It's remarkable that you can get good wines like Château Tour de Gilet at that price level," Corso says. "It allows them to compete with domestic wines."

At the higher end of the price spectrum, however, retailers are less than bullish on futures. Devastating spring frosts in April 2017 led to a 40% overall decline in production, though the damage wasn't across the board. Some vineyards on the Right Bank lost 80%-90% of their grapes, while the Left Bank sustained little, if any, loss. Overall, the harvest was among the smallest in the past three decades.

Futures prices were lowered 10%-20% for the 2017 campaign, but retailers say the drop hasn't been substantial enough to arouse interest. "The 2017 futures campaign is not a strong one," says Jeff Zacharia, president of the two-store Zachys Wine & Liquor based in Scarsdale, New York. "At this

PHOTO BY NATHAN KIRKMAN





point it looks like 2017 sales will be down 50% from 2016 levels, and 2016 was already down 10%-15% from 2015 totals. The prices on 2017 weren't low enough to get people interested in the vintage."

Still, there are some real values in Bordeaux futures these days. At Zachys, the 2016 Château Cap de Faugères is on offer as a future arrival at \$17 a 750-ml. The 2017 Château Calon Ségur is priced at \$90. The 2016 Château de Fonbel from Saint-Émilion, owned by the same family that owns Château Ausone, is priced at a mere \$22. "There's great value in Bordeaux between \$15-\$40," Zacharia says. "We love those wines. It's an exciting part of the business for us."

Zacharia is also fighting larger trends in trying to sell high-end Bordeaux. Two decades ago, he recalls, Bordeaux accounted for more than half of Zachy's wine sales. Today that share is less than 25%. Rising sales of wines from Burgundy and the Rhône are responsible for some of that decline, but society as a whole is changing. "The millennial generation isn't looking at Bordeaux much right now—it's not in fashion," Zacharia says. "They view Bordeaux as something their parents drank. But they're missing something, and Bordeaux will come back around again."

## Opting For Alternatives

At K&L, Sands says that young consumers are prone to compare a \$100 bottle of Bordeaux against other categories. "They'd rather buy 15 different craft beers or a single bottle of Scotch that will be good for 15 drinks," he says. While K&L's Bordeaux business once represented nearly one-third of all wine sales, today that share has fallen to just 15%. "The



*At Benny's Chop House (exterior top left) in Chicago, sommelier Mark Maruszk (top right) offers roughly 1,700 wines. For Bordeaux (Saint-Estèphe vineyards above) to attract younger consumers, Maruszk believes winemakers must produce more options at price points below \$100 and embrace second labels and half-bottles.*

passion for great wine and collecting has gone by the wayside with the younger generation," Sands says. "They're looking to buy something and drink it within 24 hours. Fewer people are waiting to hold Bordeaux."

There is another problem for merchants: profits in the top-growth Bordeaux wines are narrowing. The 2017 Château Lafite Rothschild futures from K&L are selling for \$600 but cost the company \$510. That leaves its margin at little more than 15%, while the rest of the store's wine offerings have a margin closer to 30%. "People assume that our margins on a \$600 first growth are really good, but in fact the margins have gotten skinnier every year," Sands says.

That reality is the primary reason that many retailers in the middle of the country—where Bordeaux is apt to be sold





Johnson Ho (pictured), owner of Pantheon Wine Shoppe in Northbrook, Illinois, says internet competition severely diminished his Bordeaux sales, as customers found deals online that seemed—and often were—too good to be true. Ho’s last big investment in futures was in 2010.

through the three-tier distribution system—have exited the business. Many store owners report that their margins on classified wines have slipped under ten points, and in some instances, to five points or less. “The internet pretty much destroyed my Bordeaux sales,” says Johnson Ho, owner of

Pantheon Wine Shoppe in Northbrook, Illinois, whose last big investment in futures came in 2010. “There were notorious sellers stocking one bottle of a particular Bordeaux label and advertising it at \$20 below their cost. It was suicide. Some of my customers went to online sellers and ended up getting bamboozled. At these prices and margins, who can afford to buy up futures and then wait two or three years for arrival?”

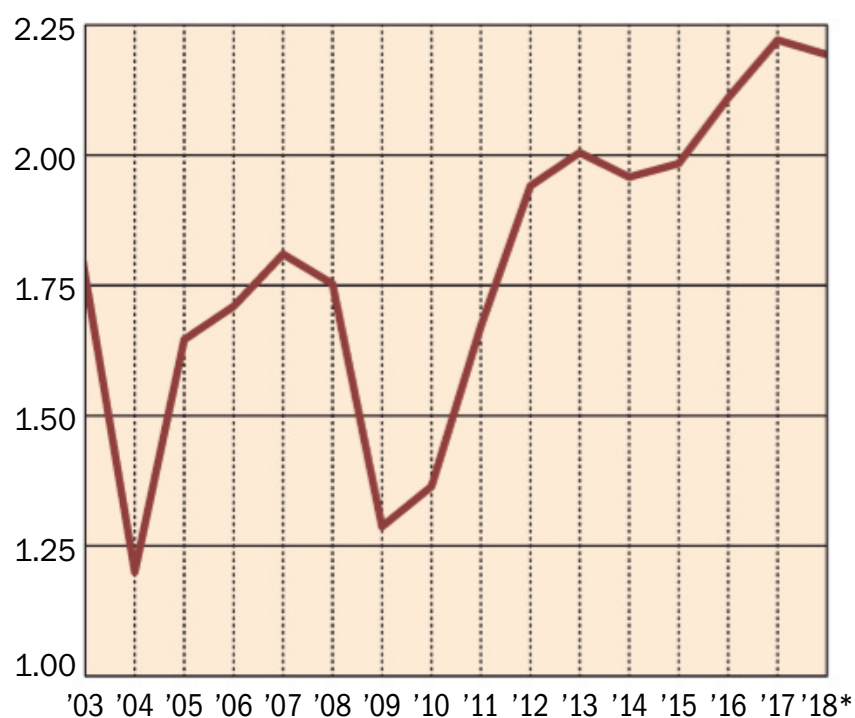
Ho is skeptical of fellow retailers’ switch to petits châteaux in order to stay in the Bordeaux game. “The aspiring wine drinker who’s moving up to Bordeaux wants to buy the biggest names,” he says. “Bordeaux, particularly the first growths, is a vanity business, with people boasting about how many 100-point wines they own. If they’re going to spend under \$50, they might as well be buying reds from Spain and Italy where you get more bang for the buck.”

Jack Farrell, the chairman and CEO of the 12-store Haskell’s chain in Minneapolis, echoes many of Ho’s frustrations. In the late 1960s, 70% of Farrell’s wine sales came from Bordeaux. Today, it’s less than 14%. “Of course, 50 years ago there were perhaps 65 wineries in Napa, 35 in Sonoma, and none in Oregon,” Farrell notes. “Bordeaux has a lot more competition now from all over.”

And yet Bordeaux is still selling. “Bordeaux is more than just futures,” says Chris Adams, CEO of Sherry-Lehmann Inc. in New York, who admits that his allocations of classified wines are severely reduced from what they once were. “Our business selling out-of-stock Bordeaux is terrific. That’s the real story.” And while the 2017 futures may not be selling well now, Adams predicts the classified 2017s are likely to find decent interest from customers when they arrive in 2019.

### U.S. IMPORTS OF BORDEAUX WINE— 2003-2018\*

(millions of 9-liter case shipments)



\* 12 months ending October 2018

Source: CIVB and IMPACT DATABANK ©2019





## Bordeaux Bargains

Adams says his average Bordeaux sale runs above \$50 a bottle. But his best seller is the Domaines de Barons Rothschild Réserve Spéciale Bordeaux Rouge (\$22 a 750-ml.), a 50-50 Cabernet Sauvignon and Merlot blend currently offered in the 2012 vintage. Even the 2015 Mouton Cadet, with fresh packaging and a reinvigorated marketing program, is selling well at \$13. “Bordeaux quality at price points like these has continued to go up and up,” Adams says. “The margins are all right for us. The velocity of sales is what really helps us.”

While some have steered clear of 2017, Geoff Pattison suggests that Bordeaux lovers in the U.S. have been spoiled by a long string of extraordinary vintages. As the Bordeaux specialist and senior director of merchandising at the two-store Wally’s Wine & Spirits in California, Pattison has traveled to Bordeaux every year since 2005 and considers the 2015 and 2016 vintages among the best in recent years. The 2017 wines, he says, are also of a high quality, with some of the best reaching the same level as the previous two years.

Many of the first growths for the 2017 vintage at Wally’s are priced at \$500 or less. “That’s beyond the range of most consumers, but for people who collect these wines, that’s a pretty attrac-



*Bordeaux sales at retailers like Sherry-Lehmann in New York City (CEO Chris Adams top left), Wally's Wine & Spirits in California (Beverly Hills venue top right), and Haskell's in Minneapolis (exterior above) have evolved to encompass second labels as much as first growths.*

tive number,” Pattison says, noting that the 2017 Château Mouton Rothschild (\$485 a 750-ml.) was especially spectacular. He sees good value in Bordeaux priced under \$100—the 2017 Château Les Carmes Haut-Brion at \$77, for example, and the 2017 Château Pape Clément at \$87. His bargain find is the 2015 Château Gigault Viva Cuvée at \$20. “Bordeaux customers have become very price-conscious lately,” Pattison says. “They’ll hesitate to spend \$150 on a fine Bordeaux but won’t bat an eye at spending \$200 for a Napa Cabernet, or the same for a Super Tuscan.”

Barbara Hermann, wine director at the 40-store Binny’s Beverage Depot chain in Illinois, has tasted many “hollow and short” wines from the 2017 Bordeaux vintage. But she thinks the decline in quality is almost beside the point. “We had three excellent vintages in a row from 2014 to 2016, and by 2017 futures fatigue was setting in no matter what,” she says. She compares 2017 to 2013—a mixed vintage that Binny’s ultimately had to move at low prices.

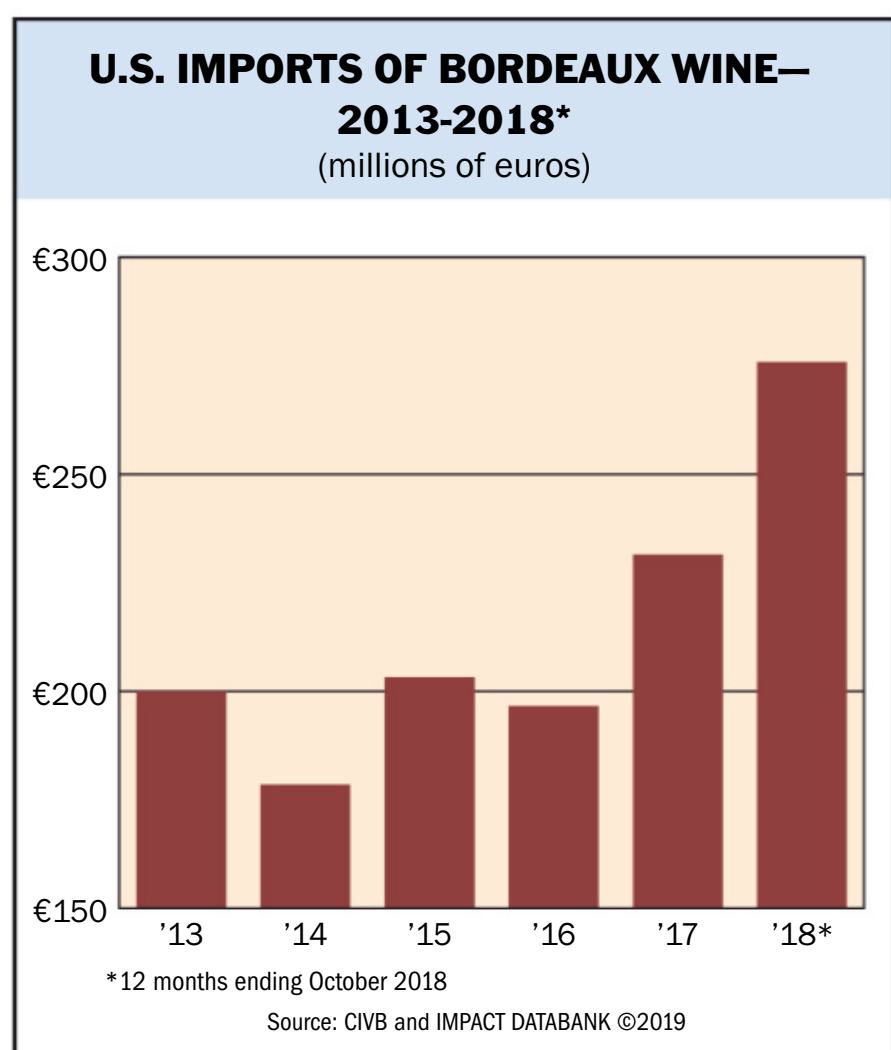
Hermann has also noticed that astute Bordeaux buyers are rediscovering the value in second labels. The 2016 Château Brane-Cantenac from Margaux, for instance, is priced at \$66 a bottle as a future at Binny’s. But the 2015





*Bordeaux producers are listening to retailers' and sommeliers' desire for more affordable wine options. Though its 2016 futures price is at \$300 a 750-ml., Château Palmer's (vineyard pictured) second label wine, Alter Ego de Palmer, consistently sells out at Binny's at \$60.*

second label Baron de Brane—which scored 90 points in Wine Spectator—is already on the shelves at \$27. “That price looks very good when you consider the entry level for a California Cabernet is increasingly at \$40 or \$50,” Hermann says.



“Many people don’t see the moderate side of Bordeaux. Retailers have to do a better job in promoting these wines.”

Mark Maruszak, sommelier at Benny’s Chop House in Chicago, has assembled a list of 1,700 labels, which is topped by such rarities as the 1990 Château Lafite Rothschild in magnum for \$7,083. He’s a bit cynical about such trophies; they often languish on his list of years. As such, he’d like to see some changes from the region. “Bordeaux labels aren’t designed for 25- and 30-year-old drinkers to understand,” Maruszak says. “And I wish Bordeaux would emphasize second labels and half-bottles as a means of attracting the interest of young people. I would like to have more Bordeaux priced under \$100 here at our restaurant.”

Bordeaux may be listening. The 2016 Château Palmer is still available at Binny’s as a future for \$300, but the house’s second wine, called Alter Ego de Palmer (\$60 a 750-ml. for the 2014 vintage), is a perennial sell-out. Château Palmer CEO Thomas Duroux admits that marketing the label to the U.S. is a challenge. Major retailers like Binny’s, K&L, and Zachys all get direct access to the wine from either the château or négociants. Boutique specialty retailers who once carried Palmer are increasingly forced to hunt for the label from wholesalers state by state—if they can find it at all. “It’s hard for smaller retailers in America to get access to our wine at the same price,” Duroux says. “That’s something we have to figure out. We’re happy to be in the expert hands of the people at K&L and Zachys, but we want to reach out and broaden our distribution at the same time. We want to get in the hands of people who don’t yet know us so well.”

**mw**

PHOTO BY MARLENE AWAAD



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# 2019 CRYSTAL BALL

*MARKET WATCH editors make their predictions about the trends that will impact the drinks world this year*



## Whiskey Pioneering

The Kentucky Bourbon Trail has been a big hit, and others are now emulating the Bluegrass State. Prime candidates for success are out west, where Colorado's own craft spirits trail is developing, and the southwest, where craft spirits are showing a real sense of provenance. Virginia and New England are also stirring on the tourism front. All of these places will be posing new options—and competition—in the whiskey tourism game.

## ▼ Idaho Wine?

Yes, and it's no longer small potatoes. The state's winemakers have been at it for a number of years, and are now showing some progress in the marketplace. The Snake River Valley AVA, which Idaho shares with Oregon, is home to more than 50 wine-

## ▲ What's In The Bottle?

Spirits drinkers have been delving deeper into the specific ingredients of their favorite products, but that's only the beginning. They're now seeking to learn more about the provenance of those ingredients, how they're made, and how they're processed. Grains, botanicals, and other elements are all coming under greater scrutiny, motivating producers to up their game and shift their marketing.

## Malbec's Renaissance

Malbec never went away, of course, but it had a few rough years after injudicious overshipping by Argentine bulk players. Now the popularity of quality Malbec is seeing a resurgence of interest, led by high-end players like Catena, Guarachi, and others.

## Audience Participation

Make-your-own-drinks will become a bigger component on the mixology scene as bar owners take an approach that's both educational and promotional. Allowing customers to participate in cocktail-making will generate new business in the on-premise and provide bar-goers with hands-on learning experiences that are also enjoyable—while lifting the veil a bit on the mixology scene.

makers. Plantings are dominated by red Rhône varietals like Syrah, Grenache, Mourvèdre, and Cinsault, as well as white Rhône varietals including Viognier, Grenache Blanc, and Roussanne. Most Idaho wineries are centered around Garden City, which is just across the river from Boise. The vineyards aren't far off, at less than an hour's drive away. Big names include Ste. Chapelle, Williamson, Sawtooth, Split Rail, Telaya, and Vigilant.



PHOTOS BY (TOP) MICHAEL MARQUAND; (BOTTOM) CHAD CHASE



## West Coast Labor Squeeze

With wineries in California, Oregon, and Washington finding it increasingly difficult to get sufficient labor, automated harvesting technology and robotics will play increasingly important roles in the vineyard. High-tech harvest machines—essentially robots in the vineyard—are already establishing a major presence. The technology is expensive, but many vintners may soon have little choice but to go with this alternative.

## Cannabis In Overdrive

Led by the prospect of marijuana reform legislation at the federal level and increasing activity in states like New York and New Jersey, the commercial cannabis movement will accelerate rapidly, with well-placed Canadian companies ready to export to the United States. The Wine & Spirits Wholesalers of America (WSWA) is already on record as being in favor of legalization—and it's gearing up to do business in the sector when the time comes. At the supplier and distributor levels, many of the major players have taken stakes in Canadian companies and thus already have skin in the game. Things will be moving much more quickly in 2019 than could have been imagined a few years ago.

### ► Self-Service At The Bar

Though currently more of a novelty item than anything else, self-serve bar technology is starting to move into the mainstream. Just like fast food outlets and other on-premise operations, bars are now able to move the simplest serves, such as beer or wine, in a much more rapid fashion thanks to automation.

## Smoke Is Everywhere

Expressions from Islay have long been favorites in the Scotch whisky space, and the smoky American whiskey scene has been graced with the likes of High West Campfire, Westland Peated, Whiskey Del Bac Dorado, Balcones Brimstone, and Corsair Triple Smoke. While those craft pioneers have laid the groundwork, smoky flavors will now become a bigger part of the mainstream, permeating the cocktail scene while also becoming the flavor of choice among craft and even mainstream whiskies.

## Craft Goes Mainstream

In a major shift from just a few years ago, an increasing number of craft brands have moved to create national footprints. Now players like High West, Westland, and Stranahan's will start to develop a far more nationwide presence. Meanwhile, up-and-coming producers like Moët Hennessy-owned Woodinville Whiskey will establish strong regional presences—in Western states in Woodinville's case—as craft spirits begin to take a much bigger share of the market.



### ▲ Some Wine With That Food Order?

Right now Drizly and other beverage alcohol delivery services are doing well, but companies like Seamless and Caviar will join forces to create a more integrated food and beverage alcohol delivery platform. This will create another sales channel for drinks—particularly for wine and beer, but also for spirits.

## Wine Turns To Beer

Now more than ever, winemakers who want to sell through the three-tier system are being shut out by consolidation at the distribution tier. Increasingly, they're turning to beer wholesalers to bring their products to market. The beer side—looking for increased revenue in the face of sliding sales for mainstream domestic beers—has been happy to accommodate

them, and distributors are forming separate wine and spirits units to handle the new business. The trend will grow as the market expands.

## Rise Of The Boutique Distributor

With consolidation making it increasingly difficult for smaller wine and spirits brands to gain access to the marketplace, a new crop of boutique distributors, building portfolios of high-end and craft spirits, beers, and wines, is beginning to make its presence felt. These players will find a growing role in the market. Some existing companies will up their game, while others haven't even been founded yet.

## Craft Goes Private Label

Craft players, beset by consolidation in their businesses and needing new routes to market, will team up with major retailers to produce more private-label craft spirits brands. While







this move could dilute craft's hard-fought image of quality and independence, it may become a necessity as smaller distillers face narrowing market access and rising overheads.

### Going Low-Alcohol, Going No-Alcohol

Cocktails that are low-proof or even non-alcoholic have already gained a following around the country, and 2019 will likely see this mini-trend blossom into a bigger consumer movement. There's opportunity for both spirits marketers and non-alcoholic beverage purveyors.

### Small Distillers Look To Asia

The U.S.-European tariff war will continue as both sides hold out for concessions. Distillers of all sizes will remain caught in the crosshairs, but the smaller companies—especially those who had built strong reputations in the UK and Europe over the last several years—will find it impossible to absorb a prolonged assault. Instead, they'll focus their efforts on the Asian market, developing relationships in Hong Kong and other Chinese cities, as well as Japan, Taiwan, and Singapore.

### Hollywood Labels Galore

The proliferation of wines, beers, and spirits affiliated with popular television and movies will not abate. Instead, there will be a redoubling of novelty labels as more studios and actors' estates realize the potential for profits in beverage alcohol. From Game of Thrones to Star Trek, Elvis Presley to Humphrey Bogart, every popular entertainment franchise is up for grabs.

### Cross-Category Products

Many scratched their heads when Grey Goose VX launched, blending its vodka with a small amount of Cognac. But category-crossing products will re-emerge as a hot trend, especially as curious millennials seek more opportunities to explore and discover. Think whisk(e)y blended with port, as in Basil Hayden's Dark rye, and gin blended with wine. The movement will extend beyond simply combining two distinct products; cider-makers and brewers will experiment with co-fermenting grapes or other fruit with their apples and grains.

### Brewpubs Soar

Supportive legislation has made it easy for brewpubs to operate in many states and municipalities; as a result, the culture of the local watering hole has experienced a renaissance over the last few years. That trend will continue, cushioning on-premise beer sales against the category's ongoing decline as consumers choose to drink locally—often within walking distance of their homes. Craft breweries finding it difficult to compete on the shelf will also opt to add brewpubs to their businesses, generating income without the need for distribution.

### Craft Spirits Rationalization

For the last two decades, craft distillers have been on an upward trajectory—and that's not going to stop anytime soon. But, much like in craft beer, the category will experience some painful hiccups as seemingly successful distillers call it quits due to mounting debt, ineffective sales and distribution, or an inability to exploit their full capacity profitably. Death's Door Spirits in Middleton, Wisconsin shocked many in the industry when it announced it was filing for Chapter 11 bankruptcy in November 2018; despite an eight-year partnership with Serrallés USA, a 200,000-case capacity, and nearly nationwide distribution—not to mention a sterling brand reputation—the company had never sold more than 34,000 cases and had over \$5 million in debt. There will be other casualties as the craft industry matures.



PHOTO BY (CENTER) CEPHAS PICTURE LIBRARY/ALAMY





### ▲ More Throwback Labels

Rebooting popular franchises has been a winning strategy for Hollywood, and the beverage alcohol industry is looking to tap into the same success. It started with Pabst Blue Ribbon, of course, and other “retro” beers like Hamm’s and Genesee have followed suit. MillerCoors brought back Zima, and E. & J. Gallo recently revived Thunderbird—this time with a lineup of Chardonnay, Cabernet Sauvignon, and a red blend, each priced at \$10 a 750-ml. Retired Four Roses master distiller Jim Rutledge is relaunching the Cream of Kentucky Bourbon label. Many other brands are ripe for a renaissance among a millennial audience that has had no exposure to their past. Could we see Mateus, Blue Nun, or Fleischmann’s make a comeback?

### Craft Spirits Buyouts Evolve

The last few years have seen big spirits companies snapping up craft distilleries, with Rémy Cointreau acquiring Westland Distillery, Pernod Ricard taking a majority stake in Smooth Ambler Spirits Co., William Grant & Sons fully acquiring Tuthilltown Spirits and the Hudson whiskey brand, Moët Hennessy buying Woodinville Whiskey Co., and Constellation paying out for High West Distillery while making smaller investments in Nelson’s Green Brier Distillery and Catoctin Creek Distillery. Those investments may be indicative of a new strategy for spirits players: Rather than paying for full-on acquisitions (High West reportedly went for \$160 million), companies will seek to make strategic investments instead. Through its Distill Ventures unit, Diageo recently invested in the Westward whiskey brand from House Spirits Distillery, while Edrington Group similarly took a stake in Wyoming Whiskey. The terms of these deals haven’t been disclosed, but the craft players are retaining creative control—likely with the option to sell a larger stake or be acquired outright in the future. As competition heats up and consumers become more discerning about craft spirits, the days of the full buyout may be over.

### ▲ Canned Coolers

The popularity of the Spritz cocktail has ascended in recent years, thanks to the efforts of brands like Campari and Aperol, enthusiastic bartenders, and consumers embracing the low-abv cocktail movement. There’s been a halo effect on other wine-based cocktails, and now wine coolers are coming back into fashion. This isn’t your mom’s Bartles & Jaymes—these are trendy products made with premium ingredients, and often branded with the name of a respected winery. As cans continue their march to conquer the shelf and consumers look for portable and eco-friendly packaging, canned spritzers and wine coolers will proliferate.

### ▼ CBD Backlash

It’s no secret that cannabis products are heating up fast—even those, like cannabidiol (CBD), that contain no psychoactive ingredients. CBD has recently become a trendy additive in cocktails and even some beverage alcohol brands, as consumers are eager to experiment with its effects while enjoying a familiar drink. That curiosity will continue, but it will be met with backlash. Some states may opt to limit or ban its use with





beverage alcohol, citing unknown health effects. California, which had a budding CBD cocktail movement, recently passed legislation prohibiting the sale of beverage alcohol with added CBD on-premise, as well as the manufacturing of CBD beverage alcohol products. The growing pains won't be resolved until the Food and Drug Administration issues guidance on the use of CBD in conjunction with beverage alcohol.

### ▼ All About Bitter

It's no secret that bitter flavors have made a resounding return to the bar, and are now far more in line with the average consumer palate. As a result, brands and liqueurs that had fallen to the wayside will reap major benefits moving forward: Consider Suze, an aperitif made from French and Swiss gentian roots that dates back to the late 1800s, which was out of popular use for a long while and is just now getting a fresh look from bartenders across the country. Aside from the big names, craft distilleries will also look to add bitters to their lineup—Berkshire Mountain Distillers in Sheffield, Massachusetts and St. Agrestis in Brooklyn, New York are among those seeing more on-premise action and bartender advocacy thanks to a wide variety of bitters flavors.



### ► Think Pink

Rosy hues have transcended rosé wine, seeping into cider, spirits, and liqueurs as marketers tap further into consumers' proclivity for all things pink. In 2019, more spirits marketers will follow in the footsteps of brands like Beefeater—which introduced Beefeater Pink, a pink gin infused with natural strawberry flavors, citrus, and juniper botanicals—and Malfy, whose baby pink Gin Rosa is distilled with Sicilian pink grapefruit. More craft cider makers, too, will add rosé-flavored expressions to their lineups, as major labels like Strongbow and Angry Orchard have done before them, in an effort to tempt wine drinkers into the hard cider sphere.



### ▲ Irish Pot Still Proliferates

As Irish whiskies find more solid footing on the global stage, single pot still offerings in particular will give the country a more competitive edge against its Scottish, American, and Japanese counterparts in both the on- and off-premise segments. Made with a mixed mash of malted and unmalted barley, single pot still whiskies have spicier, more peppery flavors than those found in blended expressions, which have long been a hallmark of Irish whiskey thanks to category leader Jameson. Expect to see more single pot still whiskey on the shelves this year. By releasing new single pot still expressions of their own, Pernod Ricard's Powers brand and craft producer Dingle Distillery are among those that have kicked off what's sure to be an onslaught of these uniquely Irish whiskies.



PHOTOS BY (TOP) CULLIGANPHOTO/ALAMY; (CENTER) HEMIS/ALAMY





### ▲ The Dark Side of Rosé

While the acidic, pale pink rosés of Provence continue to generate the most buzz for the ever-popular rosé category, more darkly colored, structured rosés from Spain, Italy, and beyond are coming into the spotlight. Slowly but surely, consumers who were once enticed only by salmon-pink sippers will expand their rosé repertoire to include these deep-pink wines, as marketers educate consumers and disavow them of a common misconception: the deeper the hue, the sweeter the wine. Look out for dark pink rosés from such regions as Southern France's Tavel, Spain's Rioja, and California's Napa Valley on wine lists and retail shelves, especially as rosé further establishes itself as a year-round offering.

### ► Rise Of The American Izakaya

Over the past several years, Japanese-influenced cocktail bars have popped up in cities with strong mixology cultures, garnering acclaim for their high-quality, minimalist drinks and superb attention to detail along the way. As such bars continue proliferating in the likes of New York City—where such notable newcomers as Katana Kitten, helmed by mixologist Masahiro Urushido, and The Hidden Pearl debuted last summer—they'll also become more commonplace across the U.S. and reach a set of consumers that transcends the cosmopolitan cocktail aficionado. These bars will be buoyed by the ongoing appreciation for Japanese whiskies and the Highball cocktail.



### ▲ Collaborative Craft Distillers?

As the craft brewing industry has matured, many successful players have sold to larger companies. But others have opted to band together as partners, such as Southern Tier and Victory with Artisanal Brewing Ventures—which recently acquired Brooklyn, New York-based Sixpoint Brewery—and the Oskar Blues-led Canarchy Craft Brewery Collective. Could craft distillers mimic that model, forming partnerships and pooling resources to reach a wider audience while maintaining their independence? It's certainly a possibility, as fewer large spirits companies seem willing to invest heavily in craft brands. But the benefits of craft brewers collaborating—heftier purchasing power, increased production capacity, improved freshness, and lower shipping costs due to better market proximity—don't always translate into the spirits realm, so the model may fail to apply.

### Law-Abiding Citizens

This year, the wine and spirits industry may see a number of major regulatory changes, thanks to an upcoming Supreme Court case and recent activity from the Alcohol and Tobacco Tax and Trade Bureau (TTB). At press time, the Supreme Court was set to hear the case of Tennessee Wine & Spirits Retailers Association v. Blair on January 16, thus deciding whether the 21<sup>st</sup> Amendment allows states to enact a residency requirement for alcohol retailers and wholesalers, which prevents out-of-state players from obtaining licenses if the owner or company has not resided in the state for a certain amount of time. While it's tough to say whether the Court will rule in favor of Blair, the end result, if wide enough in scope, will no doubt pave the way for clearer laws on interstate shipping. Elsewhere, in the wake of several high-profile labeling incidents, the TTB has taken a closer look at its current regulations for advertising, and is moving to update and clarify those sometime later this year. Once these new rules are in place, it's likely that marketers and producers will take greater care in adhering to guidelines, or else risk further igniting the TTB's ire and getting slapped with hefty fines.

**mw**





# Answering Australia

Wine lovers are finally moving  
beyond the country's classic names  
and exploring its diversity

**BY JULIA HIGGINS**

**W**hat is Australian wine? For the average American consumer—and much of the trade—it's not a question that inspires an in-depth response. "There's a conceptual issue for many in terms of what wine from Australia really is," says Gordon Little, co-founder of New York-based Australian wine importer Little Peacock. "I'd say we've gotten over the idea that Australia is just an animal on a bottle, or all about Shiraz. But getting people to picture Australia as a bigger story, a bigger country with a variety of specialties—that's the challenge at hand."

Little, like others who are dedicated to elevating Australian wine's image in the U.S., has a long road ahead. Global demand for Australian wine has fallen substantially since exports peaked in 2007; the 2008 financial crisis caused the Australian dollar to plummet, forcing many boutique wineries out of the U.S. market. And while volume has since recovered somewhat, Australian wine exports were down 11% to 17.7 million cases in the fiscal year ended June 2018, according to trade group Wine Australia, with value slipping by 8.6% to A\$424 million (\$306.5 million).

Despite those declines, there are signs of an imminent resurgence. In the calendar year ended November 4, 2018, Australia posted gains at the luxury (\$20-\$25 a 750-ml.) and super-luxury (\$25-and-above) tiers, according to IRI data, growing 16.1% to 7.8 million cases and 15.4% to 3.1 million cases in the U.S., respectively. The number of Australian wineries present in the U.S. has also risen in recent years, pushing to nearly 300 in 2018 after sinking to 234 just two years prior.





*Though Shiraz (Shiraz-dominant d'Arenberg vineyards pictured) has long stood as a hallmark of Australian wine among American consumers, the grape has suffered in the U.S. market in recent years, with value-priced and luxury iterations alike losing ground.*





## TOP TEN AUSTRALIAN WINE BRANDS IN THE U.S.

(thousands of 9-liter case depletions)

Rank	Brand	Importer	2013	2014	2015	2016	2017	Percent Change <sup>1</sup> 2016-2017
1	Yellow Tail <sup>2</sup>	Deutsch Family Wine & Spirits	8,600	8,340	8,023	7,840	7,350	-6.3%
2	Lindemans	Treasury Wine Estates Americas	1,656	1,608	1,705	1,536	1,332	-13.2
3	19 Crimes	Treasury Wine Estates Americas	32	105	262	517	1,056	+
4	Fish Eye	The Wine Group	1,340	1,200	1,100	1,040	920	-11.5
5	Jacob's Creek	Pernod Ricard USA	758	661	595	559	517	-7.6
6	The Little Penguin	Bronco Wine Co.	479	482	394	221	238	7.5
7	Penfolds	Treasury Wine Estates Americas	179	197	137	109	107	-2.1
8	Rosemount Estate	Treasury Wine Estates Americas	230	196	160	109	69	-36.6
9	Greg Norman Estates	Treasury Wine Estates Americas	119	108	108	78	66	-15.9
10	Yellow Tail Bubbles	Deutsch Family Wine & Spirits	102	102	80	71	59	-17.1
<b>Total Top Ten<sup>3</sup></b>			<b>13,496</b>	<b>12,999</b>	<b>12,563</b>	<b>12,080</b>	<b>11,714</b>	<b>-3.0%</b>

<sup>1</sup> Based on unrounded data

<sup>2</sup> Excludes Yellow Tail Bubbles

<sup>3</sup> Addition of columns may not agree due to rounding.

Source: IMPACT DATABANK ©2019



*Treasury Wine Estates has an extensive Australian portfolio, marketing the high-end Penfolds brand (winemaker Peter Gago pictured), the ultra-popular 19 Crimes, and Lindemans, among others.*

Importers and marketers are also shifting focus to highlight Australia's diverse growing regions and the eclectic mix of grapes on offer.

### Changes For Shiraz

At the height of Australia's popularity in the U.S.—which spanned a 16-year period that started in 1991 and ended in 2007—Shiraz was its calling card, particularly high-abv expressions of the grape that burst with bold, ripe flavors. Eventually, however, the average American palate grew fatigued by these fruit bombs, and Shiraz came crashing down. “Shiraz was at the top of the heap, and then it started to experience some challenges,” says Aaron Ridgway, head of marketing for the

Americas at Wine Australia. “Namely, consumers came to think of all Shiraz labels as tasting the same, costing the same, or coming from the same place.”

More than a decade later, Shiraz has yet to regain its footing in the U.S. market. “Shiraz is flat to slightly declining for a lot of our Australian brands,” says Rob Buono, president of Napa Valley-based importer Old Bridge Cellars. “Part of it revolves around the fact that sometimes varietals can be fashionable—Merlot, for example, was out of style in the U.S. for many years after a period of ultra-popularity. But grapes come around in cycles, so we're ready and waiting for the next Shiraz phase to hit.” Across its extensive Australian portfolio, Old Bridge offers a number of upscale, Shiraz-dominated estates, among them John Duval and d'Arenberg, which Buono notes he's had to advocate for more ardently in the U.S. market in recent years.

At California importer Vine Street Imports, northeast regional sales manager Aaron Meeker has also seen rich, juicy Shiraz stall across the U.S. “We're selling less of the classic Barossa Valley or McLaren Vale Shiraz,” he says. “Even producers who once made their living off those expressions have had to dial them back in terms of boldness to better suit today's market.”

While classically popular styles of Shiraz are faltering, there's now noticeable success to be had in cultivating elegant, cool-climate iterations of the grape. Such lighter, spicier expressions of Shiraz are performing well for Vine Street, according to Meeker, especially those that hail from regions like Adelaide Hills in South Australia and Yarra Valley in Victoria. “Shiraz is nowhere near where it was eight years ago, but it's getting easier to talk about the varietal, thanks to the styles that are coming out of cooler regions and are just now getting popular,” he says. Vine Street imports more than 30 Australian wineries, the majority of which are boutique, limited-production estates.

PHOTO BY MATT TURNER



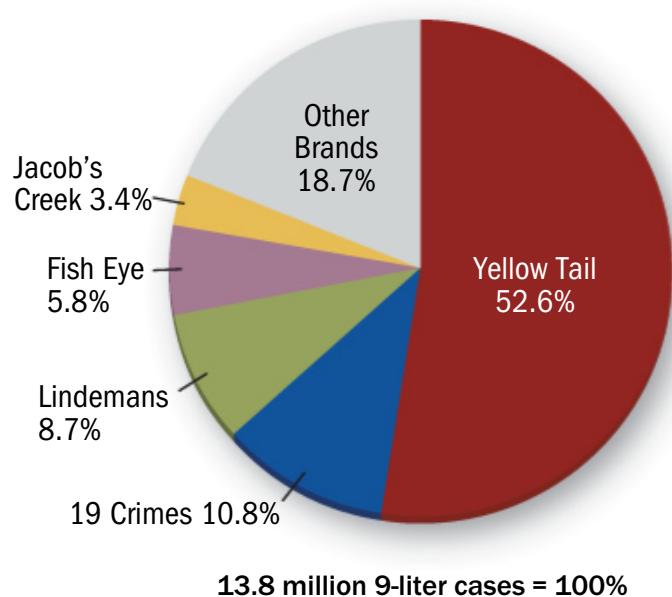


Other importers have likewise taken note of the move toward a more modern Shiraz profile. Kathy Marlin, senior vice president and general manager of The Winebow Group subsidiary Negotiants USA, acknowledges that the future potential for Shiraz lies in this new direction. “If someone were to look at the numbers on a page, they might be pretty disappointed with the results Shiraz is posting,” she says. “That being said, there’s definitely some green shoots in the category, and a number of brands—in both warmer and cooler climate regions—are more stylistically modern than people tend to expect from Australian Shiraz. It’s these labels that are reinvigorating the category.” Importing around 20 Australian labels, as well as brands from New Zealand and South Africa, Negotiants USA came under The Winebow Group umbrella in January 2018.



*Hope Estate (vineyards top left) and McPherson Wine Co. (winemaker Jo Nash top right) have found success in the U.S. through wines like cool-climate Shiraz. The skyrocketing popularity of 19 Crimes (above) is due in part to a portfolio that highlights red varietals.*

### TOP FIVE AUSTRALIAN WINE BRANDS SHARE OF CATEGORY IN THE U.S.—2018E\*



\*Excludes bulk wine imports used for domestic labels

Source: IMPACT DATABANK ©2019

In New South Wales sub-region Hunter Valley, Hope Estate proprietor and winemaker Michael Hope has long produced stylistically unique versions of Shiraz. “Our biggest seller among U.S. consumers is our Western Australian Shiraz, The Ripper, which I describe as elegantly big,” Hope says. “It’s a pleasantly fruity style, but by no means a jammy, alcoholic fruit bomb like many from the Barossa are.” Around 8,000 cases of The Ripper (\$18 a 750-ml.)—the only red wine in the Hope Estate portfolio grown at the winery’s Knob Hill vineyard in the Geographe region of Western Australia—are available in the U.S., imported by Illinois importer and marketer Winesellers Ltd.

Elsewhere in its portfolio, Hope Estate offers Basalt Block Estate Shiraz (\$14 a 750-ml.), a Hunter Valley expression grown nearly 3,000 miles from where The Ripper is sourced.



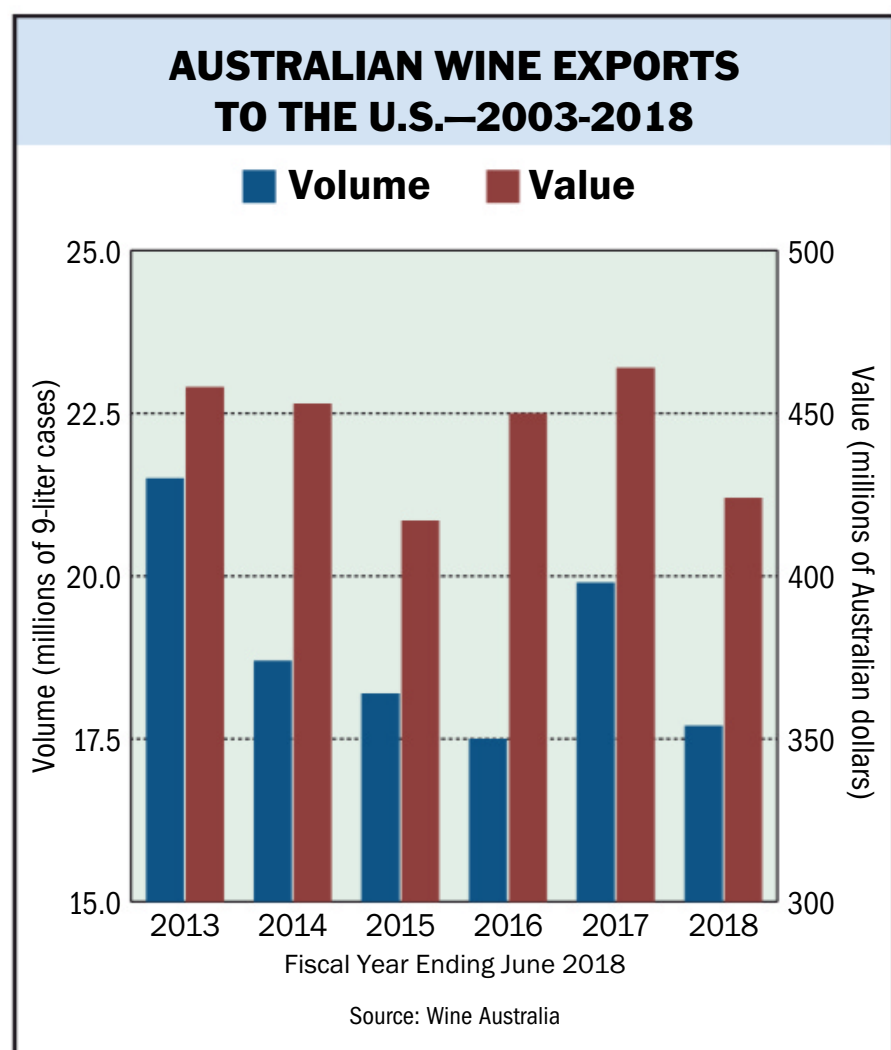


For a number of Australian winemakers, international varietals are increasingly popular propositions. In South Australia, Delinquente Wine Co. (winemaker Con-Greg Grigoriou left; wines right) specializes in Italian grapes like Vermentino and Nero d'Avola.

“The Hunter Valley is unique for Shiraz in that it offers more earthy, savory characters, which are atypical to what people normally think of when it comes to Australian Shiraz,” Hope says. He adds that while The Ripper is more of an off-premise success, Basalt Block does particularly well as a by-the-glass offering due to its light, easy-drinking elegance. With both wines, Hope is looking to illustrate the variations of Shiraz that exist all throughout Australia.

## Diversity On Display

The movement toward highlighting alternative styles of Shiraz has corresponded with a newfound emphasis on Australia's



diverse winemaking regions. With a land mass of 2.97 million square miles, Australia has six major winemaking zones, which together contain more than 60 designated wine regions and total over 395,000 acres. “Australia has a multitude of regions and varieties that people have yet to fully understand,” says Wine Australia’s Ridgway. “There’s a lot on offer that goes beyond Shiraz; we’re seeing growing demand for Chardonnay, Riesling, Sauvignon Blanc, and even more obscure varietals like Vermentino and Grenache.”

In an effort to showcase Australia’s wealth of winemaking regions, Los Angeles-based, boutique-focused importer Hudson Wine Brokers employs a straightforward structure to its portfolio. “We carefully select the wines that are in our lineup, and our whole

approach revolves around featuring one wine per region, so as to specifically highlight Australia’s diverse territories,” says director Henry Hudson. “There’s a regionality to the country that people have yet to realize—it shouldn’t be pigeonholed to just one area, and I think that idea is starting to gain traction.” Among Hudson Wine Brokers’ imported estates are Cabernet Sauvignon-centric Balnaves (\$24-\$110 a 750-ml.), located in Coonawarra; Shiraz-dominant producer McPherson Wine Co. (\$15-\$20), out of Central Victoria; and Voyager Estate (\$24-\$70), which produces Chardonnay and Bordeaux-style blends in Margaret River.

Aside from highlighting regionality, Hudson is also keen on illustrating Australia’s prowess with Italian varietals like Vermentino, pointing to a specific estate in South Australia. “In the past six months, we’ve had great success with Delinquente, a winery in the Riverland,” he says. “The young winemaker there, Con-Greg Grigoriou, is working with natural ‘alternate varietals,’ as we call them, that mainly hail from Southern Italy, as the Riverland’s climate mimics that of Sicily.” Delinquente’s portfolio includes Screaming Betty (\$25 a 750-ml.), a 100% Vermentino; Pretty Boy, a 100% Nero d’Avola Rosato (\$25); and The Bullet Dodger (\$25), a 100% Montepulciano.

International varietals are also shining at Little Peacock. “We’re seeing a lot of great wines coming out of warmer climates, such as expressions of Trousseau, Vermentino, and old vine Grenache,” Little says. “These wines, which are often-times driving business for us in terms of volume, are not the styles that would have been popular from Australia ten years ago; they’re lighter, spicier, and lower in alcohol.” He identifies such estates as Happs’ in Margaret River, which offers the Nebbiolo-based blend East of Alice (\$20 a 750-ml.), and Ben Haines in Central Victoria, which features the B-Minor Roussanne-Marsanne (\$24), as strong performers.

Little adds that sparkling wines are also prompting growth, particularly those sourced from Tasmania. “We have two Tasmanian sparkling wines from Kreglinger Wine Estates’



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Ninth Island range: a non-vintage white sparkler and a non-vintage rosé sparkler,” he says. “So far, they’re quite popular, and demand far outweighs the supply.” Given that Tasmania’s climate is cooler than that of France’s Champagne region, Little notes that the region is well-suited to high-end bubbly; he expects they’ll continue to gain ground in the future, albeit from a limited base.

More commonplace varietals such as Pinot Noir, Chardonnay, and Cabernet Sauvignon are also successfully bringing the spotlight onto Australia. Since launching in 2013,



*While Australia’s value-priced tier has seen major losses over the past couple of years, the \$20-\$25 segment is growing at around 15% in the U.S. market, spurred by an influx of higher-end offerings from boutique producers (Ninth Island and Ben Haines wines pictured).*

Treasury Wine Estates’ 19 Crimes—whose portfolio features Hard Chard (\$13 a 750-ml.), Cabernet Sauvignon (\$15), and Red Blend (\$13) variants, among others—has taken the Australian wine segment by storm: In the 52 weeks ending October 6, 2018, the label depleted nearly 850,000 cases in Nielsen channels, up from just 426,000 cases the year before. Part of the brand’s growth has come from significant investments in the digital sphere. Treasury launched a Living Wine Labels app for 19 Crimes in July 2017, on which consumers can access augmented reality content that tells the stories of the convicts-turned-Australian colonists depicted on its labels. “The interactive label art experience and the virtual reality component, combined with the price point, have made this such a standout wine,” says Treasury’s global CMO Michelle Terry.

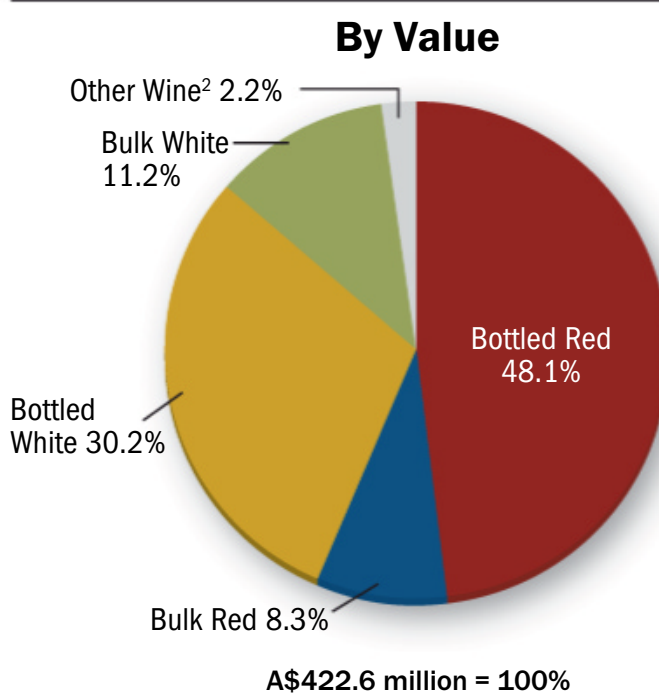
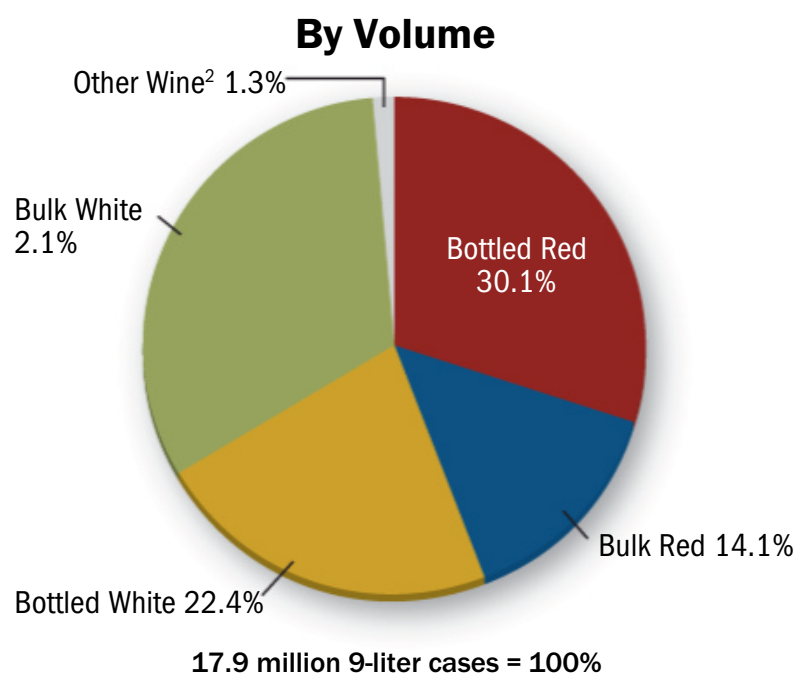
The label’s ability to transcend the overall category’s current slump is akin to that of luxury portfolio mate Penfolds, which offers an array of red wines that are buoyed by strong, recognizable branding. Though Penfolds declined by 26.7% last year to 17,800 cases in the U.S., the label is set to roll out a number of new initiatives for its portfolio, including the addition of Napa Valley-sourced wines, which are slated to hit the market before 2022. Treasury also imports Linde-

mans, the No.-2 Australian brand in the U.S. with volume of 1.33 million cases.

## Communicating To Consumers

While efforts are being made by importers and winemakers alike to revitalize Australia’s image in the U.S., there’s a lingering stagnation for the category at the retail end. “Australia is stale for us; they were a one-trick pony for a while with Shiraz, and that image still stands,” says Mick Ter Haar, beverage director at Chicago retailer Schaefer’s Wine, Food & Spirits. “It’ll take time for us to build outside of that varietal, though we’re seeing Cabernet Sauvignon and red blends like 19 Crimes rising in popularity.” Ter Haar notes that as of now, Schaefer’s currently adds only two to three new Australian labels each year. In the future, he’d like to see Australia

### AUSTRALIAN WINE EXPORTS TO THE U.S. BY COLOR/TYPE<sup>1</sup> (share of 2018 shipments)



<sup>1</sup> 12 months ending September 2018

<sup>2</sup> Includes sparkling and other wines

Source: IMPACT DATABANK ©2019



promote its wines more aggressively, by either providing more incentives to retailers or bringing more winemakers stateside for meet-and-greets with consumers.

At Wine Australia, Ridgway is actively working to do just that. “Last year was particularly exciting for us because we started to bring in some consumer-facing programming,” he says, pointing to a week-long event in New York City that took place in September, wherein restaurants and wine bars highlighted Australian wines, offered Australia-focused tasting menus, and gave free pours of various Australian labels. Across the country in California, Wine Australia hosted “Australia Decanted,” a five-day event that brought over a hundred members of the trade together with 13 luxury winemakers from Australia, including John Duval, Bruce Tyrrell of Tyrrell’s Wines, and Vasse Felix of the eponymous Margaret River winery.

Ridgway is also eagerly anticipating a major new campaign from Wine Australia, which will debut later this year. “We have a commercial program coming up in September 2019 called Aussie Wine Month,” he says. “Australia Decanted will be included in that moving forward, and we’re going to have a national program where 100 winemakers will come to the U.S. and we’ll hit the road, covering New York, Miami, Dallas, Chicago, Los Angeles, and San Francisco.” During Aussie Wine Month, trade events will take place during the day, supplemented by consumer events at night.

Many Australian winemakers are pleased with the results they’ve seen from these campaigns. “Wine Australia has taken a different approach in recent years, focusing more on educating people about the diversity of Australian wines, and that’s brought more wineries into the mix,” says Hope of Hope Estate. “It’s now more in line with what American winemakers do—they’re not going out and promoting only California; rather, they focus on Napa Valley, or Oregon’s Willamette Valley, and that’s what we need to emulate.”

Similar strategies apply for Deutsch Family Wine & Spirits, which imports such Australian labels as the value-priced Yellow Tail—the No.-1 brand by volume in the U.S. at 4.7 million cases in 2018, according to Nielsen—and the luxury, Barossa-based Peter Lehmann. The company looks at how other top winemaking regions have marketed themselves in promoting its own Australian entries. “Most Americans aren’t aware of specific Australian wine regions, and if they know one it’s likely Barossa,” says Deutsch Family president Tom Steffanci. “We feel there’s an opportunity to educate consumers on more wine regions, and to do so by leveraging ones they know from other areas of the world—for example, saying that Cabernet Sauvignon is to Napa Valley as Shiraz is to the Barossa Valley.”



**Trade group Wine Australia (booths at the 2018 Vinexpo New York above) has recently shifted its focus to highlight more consumer-facing programs, with special emphasis on promoting Australia’s regionality. Likewise, Deutsch Family (Peter Lehmann tasting room top) sees great opportunity in educating consumers on Australia’s diverse wine regions.**

For his part, Little of Little Peacock believes that emphasizing Australia’s diverse and varied strengths is key to moving the country past its one-note image of recent history. “What’s the price point of Australian wine—\$20-\$35 a bottle?” he asks. “Is it Grenache from McLaren Vale? Is it cool-climate Shiraz from Yarra Valley? Is it Pinot Noir from Adelaide Hills? The truth of the matter is that Australian wine encompasses all of these things, and more, and that’s the message worth pushing.”

**mw**



# THE OTHER AGAVES

*Beyond Tequila and mezcal, Mexico offers many other spirits—including sotol, bacanora, and raicilla—that are slowly building a presence in the U.S.*

**BY LAURA PELNER**

Bartenders at La Contenta's two venues (Lower East Side bar pictured) say alternative agave spirits, especially sotol, are gaining ground among mezcal drinkers.







Raicilla (agave piña harvest pictured)—technically a type of mezcal—is produced in the western Mexican state of Jalisco.

**T**equila is widely known as Mexico’s native spirit, and mezcal has moved up the ranks to become an increasingly significant secondary contender for prominence. But there’s a whole roster of other spirits produced in Mexico—many also made from the agave plant—that are gaining attention in the United States. Produced in much smaller quantities in villages throughout Mexico, spirits such as sotol, bacanora, and raicilla are finding a role in bars and retail stores, helped along by the amplified interest in mezcal among experimental consumers.

Often produced outside of the traditional Mexican denominations of origin for Tequila and mezcal, these outlying spirits require education and proactive selling techniques both on- and off-premise. Because they’re made by hand in small villages, they often come with a heftier price tag than their large-production Tequila counterparts. But bartenders and retail spirits buyers say the quality of these spirits and their boutique nature often outweigh the higher price points for many consumers.

“We have to work a lot to sell them, but people enjoy these spirits,” says Alex Valencia, founder and beverage director at

the two-unit Mexican restaurant concept La Contenta in New York City. “People don’t walk in and ask for a raicilla neat. It’s something we have to offer to our customers who already order mezcal. Most Tequila drinkers stick with Tequila, but people who drink mezcal are willing to try more. We take that opportunity to show them that if they like mezcal, we have something else of that style: sotol.”

## Understanding Is Everything

Sotol has a smoky characteristic reminiscent of mezcal, though enthusiasts of the spirit say it has a cleaner flavor profile. Sotol is made from an evergreen succulent plant called *Dasylirion wheeleri*, or desert spoon, which is related to yucca and agave but is technically part of the asparagus family. Sotol production is regulated and can only be made in the northern Mexican states of Chihuahua, Coahuila, and Durango. Most sotol producers use wild plants, which take at least 15 years to mature. Similar to mezcal and Tequila, the desert spoon plants’ piñas (hearts) are cooked and distilled to make the spirit.

“Mezcal is popular all around the world, and when people try it they appreciate it,” Valencia says. “If someone knows





*Bacanora is made using the wild Agave pacifica (Rancho Tepúa production pictured) within specific regions of the Mexican state of Sonora. Due to their production, bacanora, raicilla, and sotol (Hacienda de Chihuahua bottles below) often have a higher price tag than Tequila.*

mezcal, they're always looking for what's next. After mezcal, sotol is our No.-1 seller. It's for people who want to have an experience. Sotol is everywhere in Mexico and I'm sure it's going to stay a while in the United States."

Bacanora and raicilla, which are technically types of mezcal, are both produced from varieties of the agave plant, though not the popular espadín strain that's commonly used for many mainstream mezcals. Bacanora hails from the wild *Agave pacifica*, which grows in the state of Sonora; within that state, bacanora can only be produced in specific areas. Meanwhile, raicilla can be produced throughout Jalisco from the native agave varieties *lechuguilla* and *pata de mula*. For both spirits, the agaves' piñas are cooked, fermented, and distilled.

While these Mexican spirits are the most up-and-coming of the country's smaller spirits offerings, there are others gaining entry into the U.S. market. Pulque is made from the sap of agave plants and is fermented rather than distilled. The finished product has a low abv, similar to that of beer. Charanda is a Mexican spirit similar to rum, derived from sugarcane and made in Michoacán, while the state of Oaxaca also offers its own unique rum style, similar to a rum agricole; a brand called Paranubes represents this style in the U.S. market. Xtabentún is a rum-based liqueur made in the Yucatán region that's flavored with anise seeds and fermented honey.

At the La Contenta venues in Manhattan's Lower East Side and Greenwich Village, Valencia offers sotol, bacanora, and raicilla for both sipping neat and mixing into cocktails. He says the mixed drinks attract a lot of attention, even though they have a higher price tag than some of their Tequila- or mezcal-based counterparts. "When we opened on the Lower East Side in 2015, we wanted to do something no one else was doing," Valencia explains, adding that he thought the best way to introduce New Yorkers to these unfamiliar spirits was through familiar cocktails. "Bacanora is a very flexible spirit," he explains. "You can replace the rum, Tequila, or mezcal in classic cocktails with it."

La Contenta's cocktail menu includes Sotol-based specialties like The Intrepid Cactus (\$15), mixing Por Siempre sotol, house-made nopal cactus cordial, and lime juice, and the Matador (\$15), comprising Por Siempre, house-made habanero bitters, and pineapple and lemon juices, shaken over ice with fresh cilantro. These are joined by offerings like the Prietoni (\$15), made with La Venenosa Tabernas raicilla, Campari aperitif, and Carpano Antica sweet vermouth, and the Paloma Norteña (\$15), a blend of Rancho Tepúa Blanco bacanora, Luxardo Maraschino liqueur, Peychaud's bitters, and grapefruit and lime juices. The bars' sipping offerings range from sotols by Mesh & Bone, Hacienda Chihuahua, and Coyote (\$7-\$8 a 1-ounce pour) to Rancho Tepúa







*Mexican spirits beyond Tequila and mezcal are doing well at Esquire Tavern (interior left) in San Antonio, Texas. The venue stocks roughly 20 alternative agave spirits and offers such cocktails as the Desert Bird (right), which is made with bacanora.*

bacanora (\$8), and several raicillas by La Venenosa, including Sur de Jalisco and Sierra Tigre (\$8-\$16).

“Sotol is very versatile for cocktails,” Valencia says, adding that the spirit can hold its own with a wide variety of other spirits and mixers. “We have to charge more for these cocktails because the spirits aren’t cheap. A bottle of raicilla costs the same as three bottles of Tequila. But it creates a different experience and people pay for that.”

## Finding A Niche

In San Antonio, Texas, lesser-known Mexican spirits are doing well at on-premise venues Esquire Tavern, Downstairs at The Esquire Tavern, and El Mirador. Houston Eaves, the beverage director for all three venues, says that most of his bar customers are unfamiliar with spirits like sotol, bacanora, and raicilla, but adds that his bar staff enjoys introducing guests to these special products—especially in cocktails.

“We offer about 20 Mexican spirits that aren’t Tequila or mezcal,” Eaves says. “We carry more and more of these products as they’re introduced into the Texas market. The majority of our sales come from cocktails, which often serve as the catalyst to try some of the spirits on their own. It’s a mixed demographic of folks who are thirsty for cool new products and those interested in quality, education, and exploring different spirits.”

Esquire Tavern offers drinks like the Desert Bird (\$12), made with Rancho Tepúa Blanco bacanora, Campari, house-made pineapple gum syrup, and lime juices, while Downstairs at The Esquire offers the Tejuino Del Norte (\$12), mixing Por Siempre sotol, Plantation Stiggins’ Fancy Pineapple rum, lime juice, and a house-made Tejuino syrup mixing masa and piloncillo. At El Mirador, the cocktail menu includes specialties like the Texecutioner (\$10), made with D’Aristi Xtabentún honey liqueur, Wahaka Espadín mezcal, Cocchi Americano aperitif, and grapefruit juice, and the Inframundo Fizz (\$12), a blend of Paranubes Oaxacan rum, Hamilton Navy Strength

rum, pineapple and lemon juices, and egg whites, topped with Topo Chico mineral water.

“Our cocktails are generally received exceptionally well,” Eaves says, adding that he aims to pair the bold flavors of sotol, bacanora, and their ilk with familiar accents and complementary ingredients that guests are already comfortable ordering. And while Eaves notes that the spirits may not bring in the most revenue, he’s optimistic about their future. “I don’t expect to see enormous sales growth in the high-quality agave distillate category, but awareness will increase as more multinationals enter smaller markets and industrialize the production process for more efficiency,” he says.

Branching out and boosting sales in the off-premise will also prompt growth for these lesser-known Mexican spirits. Texas’ Twin Liquors, which is based in Austin and has more than 90 units in the Lone Star State, sells four sotol brands, two bacanoras, and one raicilla. This is a vast increase over just a couple years ago, when the company could only get access to one sotol. These products are pricey, starting at about \$25 a 750-ml. and topping out at more than \$100. In Texas, off-premise retailers can act as wholesalers to on-premise accounts, and Twin Liquors marketing and events director Sandra Spalding says the vast majority of these products are sold wholesale to agave-focused Texas bars.

“Velocity on these items is slow,” Spalding says. “But a curiosity for alternative agave spirits is growing. Being mostly wholesale items, the accounts that want these spirits aren’t worried about price. They carry them to complete an agave-centric collection.”

In Chicago, mega-retailer Binny’s Beverage Depot carries an extensive collection of Mexican spirits. The chain, which has over 30 locations, offers roughly a dozen sotols and a dozen raicillas, as well as a handful of bacanoras and a couple of charanda and paranubes brands. Specialty spirits buyer Brett Pontoni says the products are starting to gain traction. “They’re not tracking as strong as mezcal,” he notes. “But



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they've been on the scene for a much shorter period of time. The surge in mezcal sales makes it much easier to get people to experiment with other agave and Mexican spirits. They're closer in style to mezcal, but with less smoke and more herbal, savory notes. They're odd and interesting."

Binny's lists spirits like Flor Del Desierto Sierra sotol (\$70 a 750-ml.), Mesh & Bone sotol (\$40), Rancho Tepúa Blanco bacanora (\$60), and La Venenosa Tabernas Maximiliana White Label raicilla (\$45). Pontoni says the people buying these products are generally those who have embraced mezcal and who like to experiment with cocktails. He adds that price is one of the biggest barriers.

"They can be expensive," Pontoni notes. "Most of the entry level is above that for Tequila and rum, and it has an impact. It's the difference between people experimenting and the category blowing up. But I think there's growth there." Pontoni adds that the quality of these spirits is high, which bodes well for future success; to strengthen growth, what the category now needs most is education.

## Gains And Growth

Much of the educational component for these spirits must come from the suppliers and wholesalers who bring them to market. Fidencio Spirits was born in 2007 with the purpose of bringing mezcal stateside, which it did for the first time in 2009. The company added the La Venenosa raicilla portfolio to its U.S. import business in 2014, cementing its place as a pioneer in the United States for lesser-known Mexican spirits. Fidencio Spirits' import roster now includes six raicilla labels under the La Venenosa brand, as well as a specialty agave offering for the label called Tutsi, made from masparillo agave (\$45-\$285 a 750-ml.). These are joined by three expressions of La Higuera sotol (\$38-\$55) and Rancho Tepúa Blanco bacanora (\$55).

Fidencio Spirits co-founder Arik Torren says the spirits have come a



*As consumers start to explore Mexican spirits, lesser-known offerings like sotol and raicilla can be found at retailers such as Illinois-based Binny's Beverage Depot (spirits buyer Brett Pontoni pictured).*

long way in the United States in just a few years. "We're grateful for the rising tide of more brands," Torren says, adding that he expects to see continued expansion and new product introduction for these small Mexican categories for the foreseeable future. "They're all progressing really well. Agave enthusiasts have embraced all of our brands. Since we're a small business, we take a very organic approach to sales and growth."

Torren points to particular success in the southwestern United States for Rancho Tepúa bacanora and in Chicago for La Higuera sotol. To launch these specialty spirits, he says the company focuses on the on-premise first—especially at Mexican restaurants and cocktail and spirits-centric bars—but that boutique bottle shops are also showing promise. Torren credits the continued surge in popularity of mezcal and Tequila with helping his business.

"Mezcal and Tequila have paved the way in every sense, with increased awareness, enthusiasm, consumer comfort, labeling, and education," Torren says. "Price is almost always a factor, and we're limited by availability and our unwillingness to compromise on quality and tradition. Our launches of raicilla, sotol, and bacanora seem to have ignited a passion for agave and traditional Mexican spirits in many people, and I look to the future with excitement."

**mw**



*The Intrepid Cactus cocktail at La Contenta in New York City is made with Por Siempre sotol.*



# Mezcal Mania

*The smoky agave spirit's popularity in cocktails is soaring*

BY SALLY KRAL

Not so long ago, most mainstream drinkers were unfamiliar with mezcal, or held unfavorable opinions of it. But that has changed as public perception and understanding of the spirit has shifted dramatically. “Mezcal drinks once were almost exclusively enjoyed by people in the industry,” says Mercedes O’Brien, cocktail director at Atlanta restaurant Gunshow. “Now they’ve become a common part of guests’ repertoires. Years ago, the suggestion of a mezcal cocktail was often met with the stereotype of it having a worm at the bottom.” O’Brien adds that the beverage industry’s embrace of mezcal has helped it gain wider attention, as today’s cocktail drinkers follow the lead of trusted bartenders. “That has taken mezcal out of its stigmatized past and into people’s homes,” she says.

Jay Schroeder, beverage director of Todos Santos, a *mezcaleria* beneath Chicago restaurant Quiote, notes that it’s natural for guests to get excited about what the bar staff is championing. “We like to pour things that we personally enjoy,” he says. “As that enthusiasm translates into greater awareness, consumers are coming to understand what makes bartenders so excited about mezcal: the history, the tradition, and the cultural connection to a truly ancient spirit.”

Additionally, mezcal is still new to many consumers, which makes it especially intriguing, notes Sam Carlton, head bartender at Dove’s Luncheonette in Chicago. “Most people have never even tasted the flavors of mezcal, and drinkers



*At Temerario in New York City, the El Volcan cocktail (pictured) pairs mezcal with tropical flavors, including agave nectar, lime juice, and house-made hibiscus juice.*

today are excited to expand their palates and enjoy more savory notes in their cocktails,” he says.

As interest in mezcal-based cocktails has grown in the U.S. over the last several years, the availability of the spirit has grown in tandem, which has been a boon to creative bartenders and adventurous cocktail drinkers alike. “Mezcal isn’t a hidden ingredient anymore—it’s the backbone of a lot of drinks,” says Brendan Bartley, head bartender of The 18<sup>th</sup> Room in New York City. “And now that there’s a wider supply of mezcal, the cocktail evolution has been amazing.”

## Look To The Source

Much like wine, mezcal is a reflection of the region from which it’s sourced. “Mezcal offers a variety of flavors from its terroir, which is exciting to craft a cocktail around,” Gunshow’s O’Brien says. “The simple phrase ‘what grows together, goes together’ is a guiding principle

when working with mezcal. Fruits, vegetables, and herbs that are native to Mexico—from the sour and bright prickly pear to the deep and rich ancho chile—pair perfectly with mezcal’s defining characteristics.”

At BlackTail in New York City, bartender Nate Dobson’s Jet Lag (\$18) comprises Del Maguey Vida mezcal, Siete Leguas Blanco Tequila, Jägermeister liqueur, Vieux Pontarlier absinthe, prickly pear and lime juices, and Tasmanian peppercorn, while the El Presidente (\$18)—created by Jillian Vose, bar manager at BlackTail sister bar The Dead Rabbit—blends Del Maguey Vida, Caña Brava 7-year-old and Facundo Eximo





*Mexcal is showcased in cocktails (clockwise from top left) like the Billy The Kid from New York City's BlackTail, The Grass is Always Greener from New York City's The 18<sup>th</sup> Room, the Night Bloom from New York City's Boiler Room Lounge, and the Mezcal Sour from Los Angeles' Bar Garcia.*







Cocktails like the *Five Steps to Conquer* (left) from Chicago’s *Todos Santos*, the *Commandencia* (middle) from *BlackTail* in New York City, and the *Camina El Lobo* (right) from Dove’s *Luchonette* in Chicago offer interpretations of mezcal’s earthy, smoky, and spicy flavors.

10-year-old rums, orange and pomegranate juices, and Bittermens Xocolatl Mole bitters. “The intensity of flavors within different brands makes mezcal an amazing spirit to work with,” says BlackTail bar manager Jesse Vida. “It’s fruity and vegetal, has either a lot or a little smoke, and can drink rich and heavy or light and bright.” Vida adds that most flavors and ingredients work well with mezcal, but some favorites at BlackTail include pineapple, coffee, berries, baking spices, aperitifs, and herbal and bitter liqueurs.

Backyard at Waller Creek in Austin, Texas, offers the Smokey Dokey (\$12), made with Del Maguey Vida mezcal, Ancho Reyes Verde poblano chile liqueur, fresh pineapple, and agave nectar. At Temerario in New York City, bar manager Francisco Rodriquez reaches for tropical flavors when mixing mezcal drinks. His Temerario Margarita (\$14) blends Banhez Espadín & Barril mezcal, Cointreau orange liqueur, fresh orange and lime juices, and a house-made tamarind purée, while his El Volcan (\$14) mixes Banhez

*Mezcal-Based Cocktail Recipes*

**FIVE STEPS TO CONQUER**  
By Jay Schroeder

**Ingredients:**  
2 ounces Banhez Espadín & Barril mezcal;  
½ ounce Ramazzotti amaro;  
½ ounce Claque-Pepin Calvados;  
¼ ounce morita chile-piloncillo syrup<sup>1</sup>;  
5 dashes cacao tincture<sup>2</sup>;  
Orange peel.

**Recipe:**  
In an ice-filled mixing glass, combine mezcal, amaro, Calvados, syrup, and tincture, and stir. Strain into a small wooden cup and express orange peel over the drink, then discard peel.

**COMMANDENCIA**  
By William Pasternak

**Ingredients:**  
1 ounce Del Maguey Vida mezcal;  
1 ounce Olmeca Altos Reposado Tequila;  
1 ounce Barbadillo Fino Sherry;  
½ ounce Tanqueray No. Ten gin;  
¼ ounce Yellow Chartreuse liqueur;  
¼ ounce Suze liqueur;  
½ teaspoon Giffard Abricot du Roussillon apricot liqueur;  
¼ ounce agave nectar;  
1 dash Bittermens Burlesque bitters;  
Grapefruit peel.

**Recipe:**  
In an ice-filled mixing glass, combine mezcal, Tequila, Sherry, gin, liqueurs, agave, and bitters. Stir until chilled and strain into a rocks glass over a large chunk of ice. Express grapefruit peel over the drink, then discard peel.

**CAMINA EL LOBO**  
By Sam Carlton

**Ingredients:**  
1½ ounces Montelobos Joven mezcal;  
½ ounce Pimm’s No. 1 liqueur;  
⅛ ounce Ancho Reyes Verde poblano chile liqueur;  
¾ ounce pear syrup<sup>3</sup>;  
¾ ounce fresh lime juice;  
2 dashes Angostura bitters;  
Pinch salt;  
Pear slice;  
Pinch hibiscus-chile salt (or other chile salt).

**Recipe:**  
In an ice-filled cocktail shaker, combine mezcal, liqueurs, syrup, lime juice, bitters, and salt. Shake vigorously until cold and frothy. Strain over fresh ice into a rocks glass. Garnish with pear slice and hibiscus-chile salt.

<sup>1</sup>On a stovetop, cook eight 8-ounce cones of piloncillo, 2 quarts water, 200 grams toasted and de-stemmed morita chiles, and 18 grams citric acid for ten minutes. Strain out the solids.  
<sup>2</sup>Combine 50 grams cacao nibs with 500-ml. grain alcohol, and leave on a stir plate overnight.  
<sup>3</sup>Add 2 quarts chopped pears to a large saucepan on medium-low heat. Stir often until pears are caramelized. Add 2 quarts sugar. Stir well until combined; the pears will be broken down, like a jam. Turn off heat. Add 2 quarts water, and stir well until combined. Remove from heat and fine-strain.

PHOTO BY (LEFT) JAY SCHROEDER



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Espadín & Barril with agave nectar, lime juice, house-made hibiscus juice, egg white, and a chile salt rim.

“In my opinion, fresh lime, lemon, and especially orange juices pair best with mezcal, and Tajín seasoning—a blend of lime, chile, and salt—and cinnamon are great for garnish,” says Aaron Kelby, bar and assistant manager at Tamayo in Denver. His Mezcal Coin (\$15) comprises Banhez Espadín & Barril, Patrón Citrónge orange liqueur, lime juice, muddled orange, and a Tajín rim.

“Ingredients that have their own bite to them, like ginger and various chiles, tend to play well with mezcal,” says Bobby Hooper, bar manager at Bar Garcia in the Tuck Hotel in Los Angeles. “Spiciness is a fun pairing with the spirit’s smokiness.”



*The Life During Wartime cocktail (pictured) from Chicago's Todos Santos mezcaleria is made with a split base of mezcal and blended Scotch, resulting in a layered and nuanced drink.*

The venue's Range Life (\$14) comprises Verde Momento mezcal, Original Combier orange liqueur, grapefruit and lime juices, and house-made ginger syrup, while the Mezcal Sour (\$14) is made with Verde Momento, lime juice, house-made guajillo chile syrup, egg white, and Angostura bitters.

Gunshow's O'Brien notes that while people are especially drawn to mezcal's smokiness, when creating a drink with the spirit, “It's best to embrace its smoky air, but not solely rely on it.” Schroeder at Todos Santos agrees, noting that bartenders now view mezcal in a more nuanced light. “Mezcal was once seen only as a way to make a cocktail smoky, but as people gain more exposure to the spirit, they're realizing that the smoky element is entirely secondary to the wealth of flavors and

aromas that mezcal brings to the table,” he says, adding that he likes to play up the funky and bright flavors that come from mezcal's wild fermentation. His Five Steps to Conquer (\$12) features Banhez Espadín & Barril mezcal, Ramazzotti amaro, Claque-Pepin Calvados, house-made morita chile-piloncillo syrup, and house-made cacao tincture.

“Bartenders have come to appreciate mezcal's earthiness, as well as its spicy and vegetal notes,” says Carlton of Dove's Luncheonette. “This has turned mezcal cocktails into their own category of invention.” In the Mezcal Old Fashioned (\$12), Carlton uses Banhez Espadín & Barril mezcal that has been aged in Buffalo Trace Bourbon barrels for just over two months, as well as house-made spiced piloncillo syrup, house-made mole bitters, and house-made grapefruit bitters. He explains that Banhez is his preferred mezcal for cocktails. “Its flavor is lighter on the smoke than most other expressions, with a significant earthiness and ample baking spice qualities,” he says. “It melts perfectly into a Margarita, and stands up against strong flavors in stirred or more complex shaken cocktails.”

## Choose Your Own Adventure

Since mezcal doesn't have a specific cocktail tied to its history, yet is complex enough to serve many purposes in a drink, mezcal-based Old Fashioneds, Negronis, and Margaritas are highly popular. “Many people are still finding their way with mezcal, and they want something that's different but that they can still recognize,” The 18<sup>th</sup> Room's Bartley notes. “Using mezcal in a sour technique, for example, is an easy way to introduce guests to it. We want to present mezcal in a way that meets all palate requirements.”

At Sunda in Nashville, Tennessee, the Cara y Cruz (\$13) is mixologist Nahm Kim's take on a Cosmopolitan, comprising Illegal Joven mezcal, Cointreau, Meletti 1870 bitter liqueur, house-made orange-rooibos tea syrup, lime and cranberry juices, and Bittermens Burlesque bitters. At Tamayo, chef and owner Richard Sandoval's Ocho Leguas takes a Mojito-esque approach, blending Illegal Joven mezcal, Casa Noble Blanco Tequila, muddled lime and mint, simple syrup, and club soda. “Now that bartenders have had the chance to experiment with mezcal more, it's brought a nice change from the standard classic cocktail menu of years past,” Tamayo's Kelby says.

Indeed, the more exposure bartenders have to mezcal, the more their creativity shines. “Mezcal has become as versatile as any spirit on the market,” notes Gunshow's O'Brien. “With the public embracing its smoky profile now more than ever, bartenders are applying their craft in more unique and interesting ways than in the past.” Her The Endless Summer cocktail (\$12) is particularly intriguing in how it features mezcal: Xicaru Reposado mezcal is frozen with watermelon, cantaloupe, and cucumber juices to form a long ice cube for the drink, which also features Cathead vodka, basil-infused Dolin Genepy Des Alpes liqueur, lemon verbena-infused Jack Rudy tonic, malic acid solution, and Topo Chico mineral water. O'Brien adds that she loves how mezcal can play a strong role in a drink, or be dialed back and used as more of a modifier.

“When it comes to making mezcal cocktails, of course you should use the guidelines of general drink-making, but you can





Many bartenders use Mexican fruits, vegetables, herbs, and spices in mezcal-based cocktails, among them the Jet Lag (top left) from BlackTail in New York City and the Mezcal Coin (above) and Ocho Leguas (bottom left) from Tamayo in Denver.



really choose your own adventure,” notes Carlton of Dove’s Luncheonette. His Camina el Lobo (\$10) is a modern and unique blend of Montelobos Mezcal Joven, Pimm’s No. 1 liqueur, Ancho Reyes Verde, house-made pear syrup, fresh lime juice, Angostura bitters, and a pinch of salt, plus a hibiscus-chile salt garnish. Similarly inventive and flavorful, Bartley’s Grass is Always Greener (\$18) at The 18<sup>th</sup> Room comprises Rey Campero Tobalá mezcal, Caraveda Pisco, fresh pressed cucumber juice, house-made pineapple skin-lemongrass shrub, wattle tree sap, egg white, and a sprinkle of celery salt.

“Well-made mezcal has a fuller body and more viscosity than most other clear spirits,” says Carlton of Dove’s. “It rounds out acidic cocktails that often feel light on the palate and therefore fall flat, and its complexity and layered flavors lend a hand in stirred cocktails.” He adds that splitting the

base with mezcal and other spirits like whisk(e)y, gin, rum, Pisco, and sotol is currently popular. At Todos Santos, Schroeder’s Life During Wartime (\$12) splits the base between Siete Misterios Doba-Yej mezcal and Great King Street Artist’s Blend blended Scotch, and also features Rothman & Winter Orchard Apricot liqueur, house-made bitter orange juice, and house-made pasilla chile-rooibos tea syrup. At BlackTail, bartender William Pasternak’s Commendencia (\$18) splits the base three ways with Del Maguey Vida mezcal, Olmeca Altos Reposado Tequila, and Barbadillo Fino Sherry, and also includes Tanqueray No. Ten gin, Suze, Yellow Chartreuse, Giffard Abricot du Roussillon apricot liqueur, agave nectar, and Bittermens Burlesque bitters.

Mezcal and Tequila will always be a natural pairing as sister spirits that are both sourced from Mexican agave. At BlackTail, Dobson’s Billy the Kid (\$18) features tomato-infused Del Maguey Vida mezcal, Olmeca Altos Reposado Tequila, house-made lemongrass syrup, lime juice, saline, house-made black pepper tincture, The Bitter End Jamaican Jerk bitters, and Warsteiner Grapefruit Hefeweizen. At Last Rites in San Francisco, the Jock Lindsey (\$12) mixes El Silencio mezcal, Chinaco Blanco Tequila, Montenegro amaro, Lucid absinthe, lime and celery juices, house-made coconut cream, and Fever-Tree bitter lemon soda.

“We’re just going to keep seeing more mezcal cocktails,” Schroeder asserts. “Consumers are finally aware of the spirit, and bartenders at all kinds of venues are keen to work with something they personally find exciting. The mezcal market is definitely going to keep growing, and cocktails are going to lead the charge.”

**mw**





Molly's Spirits in Lakeside, Colorado utilizes solar power and branded hybrid vehicles (pictured outside store) as part of its delivery service, which operates through Drizly.

# CUTTING EDGE

## *In Colorado*

**O**n the edge of Denver lies the tiny hamlet of Lakeside, famous for an amusement park that opened in 1908. Just yards away from that local landmark is Molly's Spirits, which debuted in December 2014 and has since emerged as a retail destination. Molly's managing partner Rufus Nagel launched this large-scale, high-volume store in a Denver market filled with formidable competition. He understood the risks, as he'd worked for a decade in Denver's volatile commercial real estate market. What's more, his experience at a Silicon Valley tech startup had taught him how to build energized teams and leverage technology in a retail setting.

At first, Nagel studied Colorado's beverage alcohol market and spoke with other retailers. Since opening in 2014, Molly's sales have grown every year; the store grossed \$10 million in

Rufus Nagel has leveraged his Silicon Valley background to create Molly's Spirits, a high-volume store with a modern twist

**BY ANGEL ANTIN**  
**PHOTOGRAPHS BY MATT NAGER**

2015, \$15 million in 2016, \$20 million in 2017, and an estimated \$23 million last year. "Distributors are shocked at our sales growth, and that our top-selling products aren't congruent with the Nielsen 100," Nagel says. "We do things a little differently here, and our sales volume doesn't quite capture that." Nagel focuses on

building lesser-known brands, collaborating with suppliers to create exclusive products, and increasing awareness through event sponsorships.

Technology fuels every aspect of the company's operations. Molly's uses solar power and branded hybrid delivery cars. Inside the store, customers see 17 digital screens and MarginMate electronic shelf labels, which track inventory and enable managers to seamlessly update prices for any item. From home, they can sign for orders delivered through Drizly, an on-demand





*Molly's Spirits managing partner Rufus Nagel (pictured) launched the large-scale, high-volume beverage alcohol store in Lakeside, Colorado in December 2014. Previously, he had worked in Denver real estate and at a Silicon Valley tech startup.*





*Molly's Spirits offers 6,000 beer SKUs (cider pictured; craft beer displays right), with 60 of its 74 cooler doors devoted to beer. Colorado craft labels make up the store's top beer category by both volume and value.*



## Making Shopping Fun

Nagel says that in this era of e-commerce and delivery, millennial consumers crave interactive shopping experiences. “Millennials like delivery, and there are companies that deliver the big brands to your doorstep for almost nothing,” he notes. “These consumers won’t go to their corner store unless it’s interesting and fun, so the future of in-person retailing is experiential.” Nagel also makes a point of constantly offering new wines, spirits, and beers for his millennial customers. “That generation always want to try new products priced on par with

beverage alcohol delivery service. Technology also saves on labor costs and shapes the store’s layout. “We dynamically reset the store based on our detailed tracking of MarginMate data like inventory,” Nagel says. “We move entire sections as soon as we see a change in sales data.” One night, the wine team switched rosé, organic wine, and sake to prime shelving at the front of the store because the data indicated those categories were on an upward trajectory.

Even with its high ceilings, cement floors, 28,000 square feet of retail space, and 18,000 SKUs, Molly’s feels more like a boutique than a warehouse. “Our decor has an artsy, steam-punk theme,” says Nagel, who created the fictional Molly captured in the store’s murals. The design is open and clean, with low shelving and minimal p-o-s. A tasting bar greets customers as they enter, and is used for Friday and Saturday tastings of wine, spirits, and beer. “We put the tasting bar at the front to get our customers thinking about having fun,” Nagel says. Behind the scenes, the technology team orchestrates the store’s playlist, as well as the content playing on the screens. “First impressions are critical,” Nagel notes.

## MOLLY’S SPIRITS AT A GLANCE

<b>Founded</b>	December 2014
<b>Key Executives</b>	Managing partner Rufus Nagel
<b>Location</b>	Lakeside, Colorado
<b>Number of Stores</b>	1
<b>Annual Revenue</b>	\$23 million in 2018
<b>Sales Breakdown</b>	Wine accounts for 37% of sales, followed by spirits at 34%, beer at 27%, and miscellaneous items, including sake, food, accessories, and delivery, at 2%.
<b>Website</b>	Mollysspirits.com
<b>Future Plans</b>	Nagel will grow the business in its current location and is scouting a second location.





mainstream brands—and we like to play with the new toys,” he says. Rather than waiting months to see if a new product catches on, Nagel utilizes MarginMate’s analytics to quickly determine whether the item is earning its spot on the shelf.

For Nagel, the highlight of beverage alcohol retailing is the human interaction the business yields. “I like encouraging customers to try new products,” he says. Nagel also has a coded-entry, climate-controlled room that’s outfitted more like a library than a cellar where interested customers can see allocated wines and exclusive spirits. “We have a different approach than other stores, and it’s labor-intensive,” says Nagel.

Including specialists in marketing and technology, Molly’s employs 20 full-time and 20 part-time employees who take part in a profit-sharing program. “Happy employees make happy customers,” Nagel says. “I want to compensate people fairly and have a sense of community and trust—very different from my experience in Silicon Valley.” Nagel brings that same philosophy to the store’s relationships with distributors. As a newcomer to beverage alcohol retailing, he was struck by the heavy-handed way some retailers interact with distributors. “One way to work is to beat up your distributor on price, but we don’t do that,” Nagel says. “We see the wholesalers and suppliers as our partners.” He also values transparency in pricing with customers, and says the days of loss leaders are over.



**Wine at Molly’s (display top left) comprises 37% of sales. On Fridays and Saturdays, customers can sample products at the store’s tasting bar (top right). The store boasts a steampunk theme, even displaying a painting of the fictional Molly (above), created by Nagel.**

## Wine Destination

Wine comprises 37% of sales at Molly’s, with 7,000 SKUs ranging from Barefoot Moscato Spritzer (\$2 a 250-ml. can) to the 2015 Screaming Eagle Napa Valley Cabernet Sauvignon (\$2,275 a 750-ml.). Nagel says the sweet spot for a 750-ml. bottle of wine is between \$12 and \$15, with bottles in the \$19-\$22 range also performing well. The 2016 Matua Sauvignon Blanc (\$10) is the store’s top-selling wine by volume and revenue. Tied for No. 2 are the 2017 Kim Crawford Sauvignon Blanc (\$15) in volume and Veuve Clicquot Brut Champagne (\$49) in revenue. Domestic red wines dominate as a category, led by the 2016 Josh Cellars Cabernet Sauvignon (\$13) and the 2015 Dreaming Tree Crush red blend (\$12). Imported sparkling wine is a strong second, including top sellers Col Solvino Extra Dry Prosecco (\$12) and Graham Beck Brut Rosé (\$17).

Rosé is Molly’s third-strongest and fastest-growing category. A huge display features 300 still and 100 sparkling rosé wines, and each one also has a placement in its respective aisle. Nagel says Colorado’s mild climate contributes to the category’s year-round success. Strong sellers include the 2017 Nortico Dry rosé (\$15 a 750-ml.) and the 2017 Château d’Astros Côtes de Provence (\$13). Organic wines have also caught fire since they were relocated to the front of the store, Nagel says. Sustainable





wines are rotated in and out of the organic section to generate interest, while also keeping their aisle spots. Strong sellers include the 2017 Meinklang Burgenladred Österreich (\$15) and the 2017 Long Meadow Ranch Napa Valley Rutherford Sauvignon Blanc (\$18). The store's 90 sake SKUs comprise less than 1% of sales at Molly's, but they began to accelerate in 2017. While Hakushika Ginjo sake (\$8 a 300-ml.) is the top-seller, interest is growing in such upscale offerings as Kura Maho Daingo sake (\$114 a 720-ml.).

Italian still wines are gaining traction, with 685 SKUs and a focus on building brands such as the 2016 Badia Al Colle Chianti DOCG (\$10 a 750-ml.) and the 2011 Sant' Elena Cabernet Franc (\$18). Boxed and canned wines are also on the rise, including the 2013 Kingman Estates Grand Valley Cabernet Sauvignon (\$35 a 3-liter box) and the limited-release Original House Wine Rosé Bubbles (\$5 a 12-ounce can).

In just a few years, Molly's has become a destination for upscale and allocated wines. "We offer a wine for every aficionado, including a large selection of prestige and grower Champagnes," Nagel says. Examples include the Armand de Brignac Ace of Spades Rosé Champagne (\$500 a 750-ml.),



**Molly's Spirits' 90 sake SKUs (Asian spirits display top) comprise less than 1% of revenue, but sales accelerated in 2017. Colorado whiskies (above) perform well, comprising 10% of sales by volume and 250 SKUs.**

the 2012 Château Mouton-Rothschild Pauillac (\$690), the 2011 Tenuta dell'Ornellaia Bolgheri Superiore (\$225), and ZD Abacus Napa Valley Cabernet Sauvignon (\$580).

## Spirits Keep Surging

Spirits make up 34% of sales at Molly's, with 3,000 SKUs ranging from Fireball cinnamon whisky (\$2 a 10-ml.) to Louis XIII de Rémy Martin Cognac (\$3,300 a 750-ml.). Tito's Handmade vodka (\$27 a 1.75-liter) and Basil Hayden's Bourbon (\$32 a 750-ml.) are the store's top-selling spirits. Nagel says that domestic and imported whiskies make up the strongest spirits category in both volume and revenue, noting that while vodka comes close in terms of volume, the category trails significantly in revenue.

Molly's offers 900 American whiskies, 325 of them Bourbon. Colorado whiskies perform well, including Stranahan's Rocky Mountain single malt whiskey (\$55 a 750-ml.) and Deerhammer American single malt whiskey (\$48). Overall, Molly's 250 Colorado-made spirits SKUs comprise 10% of the store's spirits sales by volume. Through his relationships with Colorado distillers, Nagel has procured exclusive spirits like Molly's Barrel Select High Rye whiskey from Distillery 291 (\$98) and Feisty Molly whiskey (\$49)



from Feisty Distillery, which is labeled expressly for the store.

Molly's is also a hub for Scotch, offering 400 SKUs. Three-quarters of the selections are single malts, including Glenfiddich 21-year-old (\$180 a 750-ml.) and GlenDronach Allardice 18-year-old (\$166). Mezcal and barrel-aged gin are gaining traction, giving customers a sense of discovery with bottlings like Banhez Joven mezcal (\$29) and State 38 The Astute Jester Barrel Reserved gin (\$37).

## Crafty Collaboration

Beer is the smallest category at Molly's, accounting for 27% of sales. The store offers 6,000 beer SKUs, with a walk-in cooler for bombers and 60 of its 74 cooler doors devoted to beer. The two top-selling beer SKUs are Coors and Bud Light (both \$18 a 24-pack of 12-ounce cans). Nevertheless, Colorado craft beer is the top overall category by a large margin in both volume and value. A new collaboration with Aspen Brewing Co., Molly's Sip of Colorado (\$6 a 6-pack of 12-ounce cans), is both a top-seller and the least expensive brew in the store. "We love collaboration," says Nagel. "We've done a lot of barrel-finished and higher-end beers for about \$13 a 6-pack, but this was the first time we collaborated to produce a private-label beer at this kind of price point." The store's most expensive beer SKU is St. Bernardus Abt 12 (\$250 a 4-liter bottle). Molly's also offers about 60 beers by the keg, such as Odell Brewing Co.'s Drum Roll American pale ale (\$89 a 7.75-gallon keg).

## Connecting With Customers

Collaboration and community are central to Molly's marketing strategy. The company partners with organizations like the new Colorado Spirits Trail and sponsors such events as the Underground Music Showcase. "Our message is more subtle than just advertising prices or sales," Nagel says. The store also connects with customers through social media, differentiated email lists, and a loyalty program. "Gone are the days of 30-second TV spots or a single newspaper ad that reaches 70% of the community," says Nagel. "Today we need to address dozens of smaller communities and reach them in meaningful ways."

Molly's also takes a multifaceted, community-oriented approach to nonprofit giving. The store sells its allocated spirits,



*Molly's employees (top, left to right) Grant Kleinwachter, Greg Diehl, founder Rufus Nagel, Jaylee Adams, Scott Smith, and Dave Fulton embrace a labor-intensive method of running the store, which includes a walk-in beer cooler called the Bomber Room (above).*

like Pappy Van Winkle 25-year-old and Orphan Barrel Entrapment 25-year-old, at auction to raise money for a different nonprofit every year. Last year, Molly's raised \$20,000 for Mi Casa, a Denver-based organization offering job training and career support to community members. The store also makes in-kind donations to the Denver Art Museum totaling more than \$50,000 a year, and supports hundreds of other nonprofits by donating products and paying for employees' volunteer days.

Nagel plans to continue to grow Molly's Spirits in its current location and elsewhere. A Colorado Senate Bill passed in 2016 allows off-premise licensees to apply for an additional license—and grow their businesses to a total of four stores by 2027—and Nagel is scouting locations for a second store. As of January 1, grocery and convenience stores licensed to sell low-alcohol beer (3.2% alcohol by weight) are now allowed to sell full-strength beer. Nagel, like many Colorado retailers, is cautious.

"Chain grocers may go hard on beer, and some of them have already installed coolers," he says. "Beer is almost a third of our revenue, so I'm staying put until I see what happens."

Nagel argues that in this era of online ordering and delivery, consumers want engaging brick-and-mortar stores they can identify with—places that resonate with their values. Nagel first studied the beverage alcohol industry as an outsider. Now firmly entrenched, he questions some of its conventions and predicts that stores with something different to offer will thrive. "It's interesting, profitable, and fun to create a store based on what you'd like to drink," he says. "And ultimately, we exist to serve our customers."

**mw**





# TENNESSEE'S RETAIL BATTLE

Independent retailers across the state adapt ahead of a potentially monumental Supreme Court ruling later this year | **By Carol Ward**

**T**he landscape for independent wine and spirits retailers in Tennessee has shifted significantly in recent years, with wine added to the list of items that grocers can sell and Sunday sales of beverage alcohol now permitted. But the U.S. Supreme Court will assess the most potentially disruptive shift later this year. The High Court's decision could uphold the strict state laws governing spirits and wine retailers, or it could bring a sea change to the way alcohol is sold in Tennessee and beyond.

At press time, oral arguments in the case of the *Tennessee Wine & Spirits Retailers Association (TWSRA) v. Blair* were set to begin January 16. Blair is in reference to Zack Blair, interim director of the Tennessee Alcoholic Beverage Commission (ABC). The Commission gave Total Wine & More, the largest U.S. independent retailer of fine wine, a license to sell beverage alcohol despite the fact that the company's owners did not meet Tennessee's requirement of two-year residency prior to obtaining a license.

According to the Supreme Court's blog, the court will decide whether the 21<sup>st</sup> Amendment empowers states to regulate liquor sales by granting retail or wholesale licenses only to individuals or entities that have resided in-state for a specified period of time, as is consistent with the Dormant Commerce Clause. The decision, which is expected in summer 2019, has Tennessee retailers on tenterhooks. "This case could either strengthen and

uphold the 21<sup>st</sup> Amendment, or result in massive changes," says Charles Sonnenberg, owner of Nashville-based Frugal MacDoogal. "Although the suit specifically concerns Tennessee's residency requirements, the reverberations from it could change the three-tier system. The Supreme Court hasn't taken a case involving beverage alcohol sales since 2005, and that one was much narrower. This isn't just a tweak—it could be a massive game-changer."

## The Case

Total Wine & More, which has 176 stores, opened its first Tennessee location in Knoxville in mid-2018. That came after the Sixth Circuit Court of Appeals upheld a ruling that struck down a Tennessee law requiring those seeking a permit to sell beverage alcohol to have lived in the state for a minimum of two years. According to published reports, Total Wine had planned to open a second store—the current maximum under Tennessee law—but at press time had yet to do so.

The TWSRA appealed that Sixth Circuit decision, paving the way for the Supreme Court assessment of the case. "It's a purely Constitutional issue," says Richard Colbert, an attorney with Kay Griffin, PLLC, the firm representing the TWSRA. "It involves a Tennessee law that's a durational residency requirement for someone to obtain a license to operate a retail liquor store; the question is whether that law is constitutional. The ABC





*Frugal MacDoogal (interior pictured) is one of Nashville's most successful retailers. Owner Charles Sonnenberg says TWSRA v. Blair could be a game-changer for the state.*





**Buster's Liquors and Wines (pictured) in Memphis is on high alert ahead of the TWSRA v. Blair case. Independent retailers are bracing for change, with smaller shops facing the possibility of shutting down.**

says the law is unconstitutional under the Dormant Commerce Clause, or Negative Commerce Clause, because it represents a state's interference with interstate commerce. We say it's constitutional under Section 2 of the 21<sup>st</sup> Amendment, which effectively operates as an exception to the normal operation of the Commerce Clause by giving states the power to regulate liquor sales within their borders."

Colbert also notes that the 2005 landmark *Granholm v. Heald* Supreme Court decision—which ruled that states could not allow in-state wineries to ship wine directly to consumers but prohibit out-of-state wineries from doing the same—was unique in that it involved discrimination against out-of-state products and producers that was occurring outside of the normal three-tier system. "In *Granholm*, the court upheld the three-tier system under which states regulate liquor sales," he says. "The court said that system is unquestionably legitimate."

While the current case is specifically about Tennessee's residency requirement, it more broadly questions the role of the state in policing sales of beverage alcohol within its borders. Depending on the Court's decision, the implications could be as far-reaching as allowing for nationwide interstate shipping by retailers, as well as a possible challenge to the requirement of use of the three-tier system for distribution and sale of beverage alcohol.

Prominent independent retailers in Tennessee are keen to protect the status quo even as they brace for a possible

change in the playing field. "Total Wine is trying to be all three tiers of the system," says Joe Anderson, owner of Wine & Spirits Cellar in Maryville, Tennessee, just south of Knoxville. He contends that the ABC was wrong in its decision to grant Total Wine a license. "The ABC gave it to them illegally," Anderson says. While not in his immediate area, Anderson says Total Wine is having an impact on all Tennessee retailers.

Other retailers around the state are certainly on high alert. "We're small business retailers looking out for our own interests," says Josh Hammond, owner and president of Buster's Liquors & Wines in Memphis. "At the end of the day, we got into this game under a certain set of rules. The dynamic with Total Wine could create a completely different playing field."

Frugal Macdoogal's Sonnenberg says that if the Supreme Court rules against the TWSRA, he's confident he can compete, but he foresees many independent retailers having to fold. "I've competed with Total Wine in both North Carolina and South Carolina for 20 years, and we've flourished even though they're a major force in those markets," Sonnenberg says. "Based on that, I think we'll continue to do just fine if and when Total Wine comes to Nashville. However, I believe they'll devastate many other retailers—particularly in the booming new suburbs that are affluent, where it's already extremely competitive because of the number of stores."

## Ongoing Evolution

Total Wine's entry into Tennessee, and its possible expansion pending the Supreme Court decision, is one of multiple major changes that the state's independent retailers have faced in recent years. The most prominent include the extension of wine sales to supermarkets, which began on July 1, 2016, and the start of Sunday sales of alcoholic beverages, which began on July 1, 2018 for package stores and January 1, 2019 for supermarkets. Many independent retailers say they only grudgingly open their doors on Sundays—they feel compelled to do so because their competition is open. But generally speaking, sales haven't spiked as a result. Jimmy Cole, current president of the TWSRA and owner of Poplar Wine & Spirits in Memphis suburb Collierville, says he experienced a "small net positive" in sales from opening on Sunday. "But it's taking away from Saturday sales," he says, noting that the Sunday sales in grocery stores starting this year will likely negatively impact that small bump.

"The worry was that it was just going to spread out sales—there wouldn't be any extra gains," says Hammond of Buster's. "I'd say that's holding somewhat true. We're open on Sunday with limited hours from 11 A.M. to 6 P.M., and while we've had a slight gain, I don't know that it's enough to offset the cost." James Woodard, owner of Cool Springs Wines & Spirits in Franklin, agrees. "There are more labor costs to achieve the same sales level on Sundays," he notes.

The bigger impact has come from the addition of wine to supermarkets. Two and a half years after implementation,



independent retailers say the expansion still hurts, although some have been able to make up a portion of the business elsewhere. When the expansion happened, independent retailers were allowed to begin selling beer and food, which was previously prohibited.

Anderson of Wine & Spirits Cellar says his sales are down by about \$50,000 a year, and he was forced to lay off two employees because of the drop-off. For Cole, wine sales are down by about 20%. “It’s been a significant decline, and that’s pretty consistent with the retailers I’ve talked to,” he says. “Prior to wine in grocery stores, about 65% of our business was wine, whereas now it’s only 42% of business.”

For many of these independent Tennessee retailers, mainstream wine brands took the biggest hit. “The grocery stores almost exclusively handle what I would call market brands from the big producers, so we’ve seen a drawback on that,” Cole says. “We carry a more esoteric selection than some, so we’ve been able to maintain those labels. But it’s interesting—customers who were once looking for more unique bottles are now willing to settle, throwing something in the cart at the grocery store. The convenience factor trumps price and quality.”

Cole says that his wine pricing—along with that of many other independent retailers—is typically lower than that of grocery stores. Tennessee law requires each individual store to order products for its respective location. Grocery stores can’t make a chain-wide purchase, and may not have the storage space to buy and store wine in bulk. “There are quantity discounts available and those quantity discounts are done on the day of purchase, meaning that if you want to buy 100 cases of Brand X, you have to take it all tomorrow,” Cole notes. “For a lot of people, including groceries, that’s restrictive.”

Some retailers have reacted by altering their product mix to focus more on higher-end and obscure wines. “Our average wine price has moved up significantly, and our selection of anything under \$10 has slimmed down,” says Sonnenberg of Frugal Macdoogal. “We have full representation, but instead of stocking 40 Chardonnays in the \$6-\$9 range, we’ve cut it dramatically—maybe half or a third of that. As a result, we’ve brought in more esoteric wines in the sweet spot of \$12-\$18 a bottle.”

Hammond of Buster’s has gone further, diversifying with additional high-end wines along with food and other items.

“We expanded our store,” he says. “We put in a small gourmet area with packaged cheese and meat products, beer, and accessories, and we also renovated the store to give it an updated, modern feel. That’s proven to be successful for us. We’re not where we were—we lost about 16% of our overall business to wine in grocery stores. But these changes help offset some of that, and I like the trajectory we’re on. If we keep this up for several more years, then we’ll be more or



*The extension of wine sales to Sundays, which began in July 2018, has had mixed results for some Tennessee stores, including Poplar Wine & Spirits (interior pictured) in Memphis suburb Collierville. Although the store has experienced a small bump from Sunday sales, it has lost some business on Saturdays.*

less back to where we were before these new laws came into play, in terms of profitability.”

## Economic Boom Times

Retailers say the current popularity of Bourbon and other whiskeys is helping to boost sales. “Whisk(e)y sales have really lifted our business,” notes Woodard of Cool Springs. “Some of what we lost when wine went into grocery stores was made up by increased interest in brown spirits.” Cole of Poplar’s has also seen an uptick in sales. “We changed the dynamics of the store,” he says. “Our beer sales are up, as are our spirits sales. Customers are coming back and looking for some of the items that they’re not going to find in the chain stores.”

And more generally, the impact of the changes on independent retailers might have been softened by the current vibrant economy, which has people spending more on small luxuries. “Our business overall is still very good,” Frugal MacDoogal’s Sonnenberg says. “Part of that is due to the fact that the Nashville is economically absolutely red hot.”

**mw**



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# Session IS THE *New* Extreme

Lower-abv craft brews provide volume and margin opportunity for producers and retailers

BY TERRI ALLAN

It wasn't long ago that craft beer lovers were clamoring for the hottest "extreme" beers they could find. These days, however, many craft consumers are opting for less-potent brews that allow them to enjoy more than one beer during a drinking session. Indeed, continued demand for such session beers could dramatically aid the craft beer category in its efforts to widen its customer base by attracting more mainstream beer consumers.

"People are getting tired of the heaviness of high-abv beers like double IPAs," says Adam Sternberger, co-owner of White Horse Wine & Spirits in Absecon, New Jersey. "They want beers that don't leave them feeling so full, as well as the option of having more than one." That's an attribute that on-premise operators like Greg Engert applaud. The longtime beverage director at Washington, D.C.-based Neighborhood Restaurant Group (NRG), Engert says that more and more of his beer customers are looking for low-abv brews, which are typically priced below their higher-strength brethren. At Veza Sur Brewing Co.—the Miami craft brewery funded by Anheuser-Busch InBev that produces mostly low-abv beers—co-founder Max-Antonio Burger says session beers are approachable and appeal to most drinkers. He also notes that because the brews transcend an array of styles, consumers don't have to give up on variety. "You can

enjoy two or three different kinds of beer during an occasion," he says.

Beer marketers and retailers loosely define session beers as those with an abv of about 5% or lower, so in addition to craft entries, major brands like Budweiser, Coors Light, and Corona Extra qualify. Marshall Hendrickson, Burger's partner at Veza Sur, says he identifies session brews as "anything you can have in multiples during one session and still be fully functional." David Walker, co-founder of California's Firestone Walker Brewing Co.—which makes the popular 4.7% abv 805 blonde ale—describes a session brew as "something you can open after work knowing you have an evening ahead of you." The reduced alcohol content allows brewers and retailers to widen their nets when courting potential consumers. Engert of NRG, which operates several beer-focused venues in Washington, D.C. including Birch & Barley and Churchkey, says session crafts appeal to customers who might have previously drunk mainstream domestic brews. The trade-up, he notes, bodes well for retailers and craft beer in general.

## Tremendous White Space

Arguably one of the most successful session craft beers is Founders Brewing Co.'s All Day IPA, whose volume surged 38% in 2017, according to Impact Databank. With an aggressive price





According to Greg Engert (left), beverage director of Washington, D.C.'s Neighborhood Restaurant Group, consumers are turning toward craft brews with lower alcohol content, such as the 4.7% abv All Day IPA from Founders Brewing Co. (above). South Florida's Veza Sur Brewing Co. offers multiple low-abv beers in its taproom (pictured below).







Salem, Massachusetts' Notch Brewing (fermentation tanks above) only produces session beers, such as its 4.3% abv *Left of the Sundial* IPA.

of \$18 a 15-pack of 12-ounce cans, All Day IPA is positioned to continue that growth. "The opportunity for the brand is huge," says brewery co-founder Mike Stevens. Newer sibling Solid Gold lager—retailing at \$15 a 15-pack—may have an even brighter future. "A lot of retailers are looking for change when it comes to domestic premium lagers as the bigger brands haven't been able to hold growth," Stevens says. Solid Gold is targeted at mainstream lager consumers, and due to its approachable lager style is holding its draft line placement in the on-premise.

Other fast-selling session brews include Firestone Walker 805, whose volume increased 25% in 2017. Walker estimates that the beer, which is currently available in 11 states and Chicago, grew 15% in 2018. National craft brewer Boston Beer Co. launched the ale-lager hybrid Sam '76 in January 2018; the brewer describes the beer as perfect for multiple social drinking occasions. Over the summer, Boston Beer chairman and founder Jim Koch said the brand has seen early success. The 4.7% abv Sam '76 retails at \$9-\$10 a 6-pack of 12-ounce cans.

There are some craft brewers that primarily produce sessionable beers, despite the craft segment's higher-proof reputation. Veza Sur, whose beers are available in select South Florida bars and restaurants, offers Latin lager, Dark lager, and Mango Blonde ale, all of which have an abv below 5%. Even the brewer's IPA carries a lower abv. "We didn't want to do a normal-strength IPA," says Hendrickson of the 5.2% abv

Session IPA. "Being in South Florida, we want to offer an IPA that has strong hops flavor, but isn't overpowering. Our Session IPA is the best of both worlds."

Notch Brewing in Salem, Massachusetts has exclusively produced sessionable beers since opening eight years ago. "Our mission has been to focus on beer styles that haven't been that popular in the U.S. in recent years, like German-style lagers and Czech-style pilsners," says founder Chris Lohring. He adds that offerings such as Notch's 4.3% abv *Left of the Dial* Session IPA (\$16 a 12-pack of 12-ounce cans) are emerging as the types of beers consumers keep in their refrigerators for everyday drinking, replacing the likes of Coors Light. Notch beers are available in Massachusetts, Maine, New Hampshire, and Rhode Island.

## Sipping Versus Drinking

For on-premise operators, sessionable craft brews often translate into higher volume sales than more potent abv options. NRG's Engert notes that customers would once gravitate toward high-abv crafts, but now they're drinking—and drinking more of—lower-abv offerings, which has resulted in more rings and better tips for waitstaff. Elsewhere, Lohring says Notch Brewing's beers have received an overall positive response from on-premise operators. "With high-abv beers, operators have to keep a close eye on their customers to be sure they're drinking responsibly," he explains. "Bar operators are also telling me that customers who drink craft session beers drink more, stay longer, and tip better."



Sales of lower-proof beers are also picking up off-premise. David Symmes, co-owner of the 22-unit Crown Liquors in Indiana, says brews like Founders' All Day and Solid Gold have been performing well, as has Golden Road's Mango Cart wheat ale. "There's no doubt that consumers are starting to look twice at high-abv beers," Symmes explains. "While they're still selling well, consumers are asking themselves, 'How many can I drink?'" At White Horse, Sternberger notes that because the store is located close to New Jersey beaches, many beer customers opt for lower-abv craft brews. "They're easier for day-drinking than beers with an abv of 9%," he says. Founders Brewing's Stevens agrees that session beers provide great opportunity in the off-premise. "With sessionable crafts, retailers can offer their customers quality beers that can be sold in greater quantities than their higher-abv counterparts, and with better margins than premium domestic beers," he notes.

But the popularity of session beers on the West Coast, at least, may be slowing. John Jarjosa, beer manager at Boulevard Wine & Spirits in San Diego, thinks the segment is a passing phase. He adds that craft beer drinkers in his market—who largely favor IPAs—have now moved on to hazy, unfiltered IPAs, most of which are higher in alcohol. Similarly, at Bailey's Taproom in Portland, Oregon, beer buyer and general manager Ryan Spencer says that while session beers received a lot of interest when they first emerged about five years ago, he's not sure where the segment is going. "Guests are walking out of the bar and waking up the following day happier after consuming lower-abv beers," he notes. "But we haven't seen much growth in the category."

## Spreading The Word

Notch Brewing's Lohring concedes that for session beers to really take hold, enhanced consumer education is necessary. He advises retailers to communicate with their beer



*Though many brands—including Sam Adams with its Sam '76 ale-lager hybrid (left)—have added session beers in recent years, Bailey's Taproom (draft line above) in Portland, Oregon hasn't seen much growth in the segment.*

customers about abv content and to utilize pertinent p-o-s tools when available. Likewise, Hendrickson of Veza Sur says education is essential for the category, and suggests that retailers stock an array of sessionable brews—from IPAs to lagers to amber ales—for that purpose.

At Founders Brewing, Stevens expects the sessionable beer trend to continue. "There's the physical aspect," he explains. "People can only drink so many high-abv beers, so lower-abv offerings allow for increased sales."

NRG's Engert is particularly bullish on the brews and believes that much of the growth of craft beer in the future will come from lower-abv beers. "Craft's biggest gains will derive from becoming more mainstream, and from capturing occasions from cocktails, wine, and macro beer," he says.

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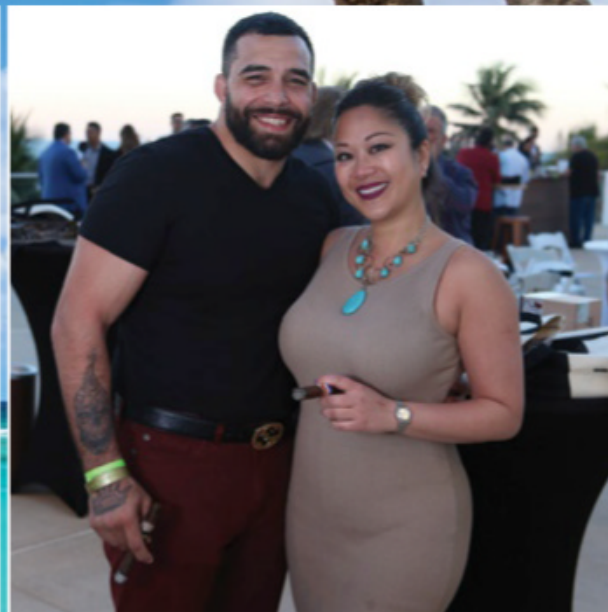
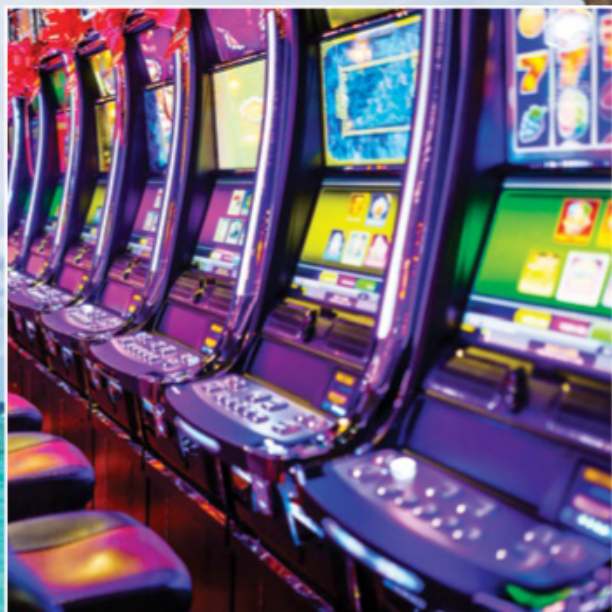
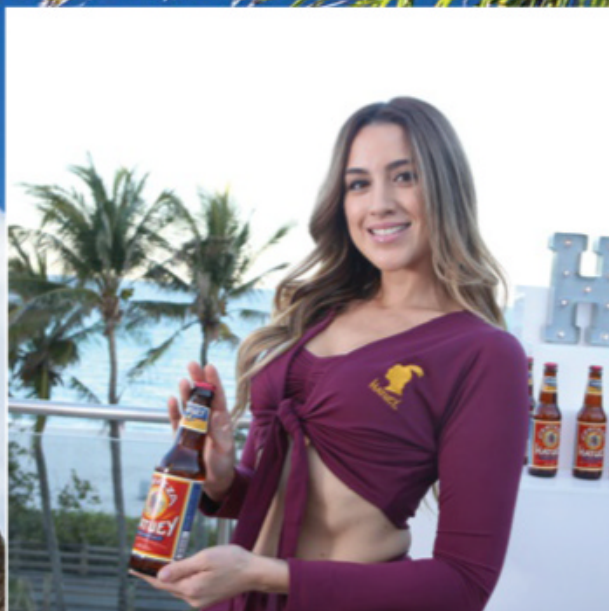
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# What's Old Is New

The French aperitif Suze is making a comeback behind the bar

A century-old aperitif made from French and Swiss gentian roots and known for its bitter sweetness and herbal citrus flavor, Suze liqueur is popping up in cocktails around the country. While it's certainly not a new product—its origin dates back to the late 1800s—Suze is unknown to most modern consumers and oftentimes foreign to new bartenders as well. The resurgence of bitters and exotic drinks flavors, however, has made Suze ripe for rediscovery.

“Other than among cocktail aficionados and the French, bitter gentian liqueurs are relatively obscure in the United States,” says Pat Ray, a bartender at Chicago’s popular cocktail den The Violet Hour. “Suze, in particular, has been an elusive ingredient until recently. We use it as a replacement for some of the liqueurs in classic cocktails. It adds layers of complexity and bitterness to drinks. It can elevate classics, and can be an invaluable tool in creating new cocktails.”

The Violet Hour offers a variation on the Negroni that’s made with Suze instead of Campari. The Polka Dot Negroni (\$14) mixes Suze liqueur with Junípero gin, Dolin Blanc vermouth, and house-made grapefruit bitters. “With the resurgence of pre-Prohibition-style cocktails at its peak, bartenders are always looking for interesting modifiers with a great story and history,” Ray says. “Suze can absolutely become more popular in bars.”

Negronis are a natural fit for Suze. At New York City restaurant The Ribbon’s recently debuted Midtown Manhattan location, the Winter Negroni (\$16) blends Brooklyn gin, Lillet Rouge aperitif, and Suze. General manager Mayency Prieto notes that Suze’s bitter, woody flavors and citrus undertones add complexity to drinks, as well as a floral aspect. “Not many people know about Suze, so it’s always fun watching customers discover it,” Prieto says. “People enjoy its uniqueness.”

Meanwhile, St. Louis bar Retreat Gastropub offers the Blanc Negroni (\$11), which comprises Broker’s London Dry



*Cucina Enoteca, which has three units in California, uses the bittersweet liqueur Suze in its White Negroni, which also includes The Botanist gin and Dolin Blanc vermouth.*

gin, Dolin Blanc vermouth, and Suze, topped with a grapefruit peel. This joins the specialty Milton Bradford (\$11) cocktail, which combines Old Forester Signature Bourbon, Caperitif aperitif, Suze, house-made grilled pear-honey syrup, and lemon juice, shaken with black pepper. “Most people at the bar don’t recognize Suze,” says Tim Wiggins, Retreat Gastropub’s bar manager and partner. “The liqueur adds clean, bitter, and savory notes, a ton of herbaceous flavors, and a punch of fresh fruit peel-bitterness. It’s especially complementary with grapefruit.”

Seth Allen, beverage director at Indian-themed cocktail bar GupShup in Manhattan’s Gramercy neighborhood, touts Suze’s depth. “It adds an earthy bitterness that fills out sweet drinks, but also has a subtle sweetness that can temper a

bitter tonic drink,” Allen says. GupShup features Suze in the Gin and Tonic-inspired Bengal Tiger cocktail (\$14), made with Bobby’s Schiedam Dry gin, Suze, and tonic water, served over ice and garnished with sprinkled cardamom, pink peppercorns, and lime wheels.

While Suze is often paired with gin, it can hold its own against a variety of spirits because of its strong flavor profile. Before modern mixology took hold, Suze was often consumed with just tonic water. The Italian restaurant Cucina Enoteca—which has locations in Del Mar, Newport Beach and Irvine, California—features Suze as the star of its Jean Collins (\$12), mixing the liqueur with lemon juice, house-made pineapple gum syrup, and soda water. Cucina Enoteca also offers the White Negroni (\$12), which is made with The Botanist gin, Suze, and Dolin Blanc vermouth.

“Suze is definitely not as popular with the masses as it should be,” says Koire Rogers, Cucina Enoteca’s corporate beverage manager. “It adds components of bitter and sweet flavors that are layered with complexity.”

**mw**

Laura Pelner



# Make Way For The Brut IPA

The latest IPA style looks to capitalize on a hot category

Yet another IPA variant is starting to sweep the country, and many in the trade are wondering whether it will rival New England IPAs in popularity. A dry pale ale that combines the hoppiness of West Coast IPAs with the low bitterness of their New England counterparts, the brut IPA style has tapped into the unrelenting IPA trend, and is enjoying steady growth as a result. Brian Strumke, founder of Baltimore's Stillwater Artisanal, which markets Extra Extra brut IPA, says the segment is emerging because "it contains the letters IPA and is a new variant on a style that's been a craft favorite for over a decade."

In general, brut IPAs are produced by adding the enzyme amylase glucosidase, which aids yeast in breaking down sugars during the fermentation process. The resultant brew is dry and crisp—akin to a brut sparkling wine. Kim Sturdavant, brewmaster at San Francisco's Social Kitchen & Brewery, is credited with producing the first brut IPA, Hop Champagne, in November 2017. He was using amylase glucosidase in a triple IPA to make it less sweet when he decided to put it in a standard-strength IPA, with the goal of making a crisp, sparkling, and hoppy beer. Other brewers heard of Sturdavant's idea, and competing versions of the style soon followed. By late last year, Sturdavant had brewed his third brut IPA, Dry Bones, which is available on draft at the brewery and at local on-premise accounts.

Stillwater Artisanal's Extra Extra (\$20 a 4-pack of 16-ounce cans), meanwhile, is far more widespread, with limited availability in 38 states and Europe. Customer response has been mixed, as most IPA consumers today are attracted to the fuller-bodied, hazy New England styles. But Strumke says some consumers are happy for a stylistic departure.

Stephanie Vidales, beer buyer at the three-unit, California retailer K&L Wines, says the beer style is still emerging. "We're seeing more brut IPAs here in the Bay area, but customer demand isn't as high as it is for other styles, such as hazy IPAs," she notes. K&L sells seven brut IPAs, all in single packages and ranging from \$3-\$8 a 16- or 22-ounce bottle or can. In St. Louis, meanwhile, brut IPAs are just beginning to appear. Paul Hayden, manager at the Wine and Cheese Place, says his store has stocked Extra Extra and the locally made 4 Hands brut IPA (\$7 a 22-ounce bottle) since September. "The 4 Hands brut has received the most positive

response, probably because it's local," Hayden says. And in Philadelphia, Tria Taproom, which offers 24 draft brews at \$6-\$7 a 16-ounce pour, serves up the likes of Art Brut from Pennsylvania's 2SP Brewing.

According to Sturdavant, the style's appeal lies in its approachability. "Drinkers who aren't into bitter, heavy IPAs have been drawn to the accessibility and fruitiness of brut IPAs," he says. Stillwater Artisanal's Strumke, meanwhile, is taking things a step further, working on a soured brut IPA that's brewed with Sauvignon Blanc grapes.

Brut IPA releases vary widely in flavor and appearance, which can be viewed as either positive or negative. Celso Garcia,



Philadelphia's Tria Taproom (interior pictured) has seen demand for brut IPAs, an emerging style that showcases dry, crisp, and hoppy flavors with less bitterness.

general manager at Tria, sees opportunity in the variances. "It's neat that while New England IPAs tend to be more or less similar, brut IPAs can be very diverse due to the varying enzymes used," he says.

It's still unclear whether brut IPAs will become as popular as New England IPAs. While hazy IPAs rose to fame in part because they originally came from small producers, brut IPAs can benefit from the support of larger players, many of whom have laboratories that can monitor enzyme activity. Boston Beer, for example, has offered a brut IPA in its tasting room. Sturdavant concedes that although it'll be tough to rival the success of New England IPAs, "brut IPAs will compete." **mw**

Terri Allan



# A Whisky From Wales

Welsh distiller Penderyn is establishing its presence in the U.S. market

When drinkers consider the whiskies of the world, Wales isn't usually in the picture. But Welsh single malt whisky Penderyn is quickly establishing itself in the U.S. market, sparked by rising consumer interest in "discovery" whiskies from new areas. The brand recently won a spot on Whisky Advocate's Top 20 Whiskies of 2018 list.

Penderyn leads with its Dragon Collection, which includes three expressions: Madeira cask-finished Penderyn Legend (\$50 a 750-ml.), ex-Bourbon cask and ex-red wine cask-finished Penderyn Myth (\$60), and Penderyn Celt (\$60), which is finished in quarter casks previously used for peated Scotch whisky. Penderyn Celt was the label that garnered Whisky Advocate Top 20 honors, finishing at No. 17 with a score of 91 points. All three expressions in the Dragon Collection are 43% abv.

Penderyn also offers the more upscale Gold range at 46% abv, which includes Madeira (\$70 a 750-ml.) and Sherrywood (\$80) labels. The Gold range also has a Port cask-finished version, which should arrive in the U.S. by year-end. Although none of Penderyn's offerings has an age statement, the company generally ages its whiskies from 5-8 years.

Penderyn, whose formal name is The Welsh Whisky Co., began distilling in 2000. The company bottled its first whisky at its distillery in 2004, with Prince Charles in attendance. The Penderyn distillery—located near the village of Penderyn

in southeastern Wales—sources its water from springs in nearby Brecon Beacons National Park. Penderyn operates four stills, including two unusual Faraday stills—hybrid pot-column stills that produce spirit at the required alcohol level in a single distillation—and two recently added traditional pot stills. Annual capacity is 700,000 liters of pure alcohol, and the facility is now running on a 24/7 basis.

The U.S. importer for Penderyn, San Francisco-based ImpEx Beverages, began handling the brand last year. ImpEx specializes in single malt whiskies, with a strong track record of developing successful, high-end brands. Its portfolio includes Japanese rice whisky Fukano, which finished in Whisky Advocate's Top 20 rankings in 2017. In addition to Penderyn Celt, this year's Top 20 includes another ImpEx-imported brand, Kilchoman Loch Gorm, which ranked at No. 15.

Penderyn is currently available in 28 states, including major markets Florida, Texas, California, New York, and Illinois. "The ultimate goal is to have Penderyn in every state where ImpEx is present," says ImpEx president Sam Filmus. "We're in no rush—we want to take the right steps to ensure the brand's long-standing presence in the market."

Initial shipments in 2018 were small at several thousand cases, but Penderyn is ramping up production and ImpEx plans to maintain 15% annual volume growth for the near and long term. Most sales thus far are in high-end off-premise accounts, although ImpEx is already seeing some success in the on-premise, specifically with the Madeira cask-finished Penderyn Legend.

In total, Penderyn sells around 330,000 bottles of whisky annually, and expects that number to reach 500,000 in three years. The company is currently in expansion mode, with plans to open two additional distilleries. One will be located in the south Wales coastal city of Swansea and will feature a three-story visitor center; construction is set to start this year, with completion projected for 2021. The third Penderyn distillery is slated for the town of Llandudno on the Welsh north coast. Llandudno is the area's tourism capital, attracting big visitor numbers thanks to its proximity to Snowdonia National Park. Both new distilleries will be making whisky under the Penderyn brand name.

Tourism is a key part of Penderyn's motivation for those new distillery projects, as the brand's main distillery hosts around 42,000 visitors annually. Penderyn hopes to attract more than 50,000 visitors a year to the Swansea facility alone, and will likely aim for similar numbers at Llandudno.

**mw**

David Fleming



Welsh single malt brand Penderyn (casks pictured) is quickly establishing itself in the U.S. market, sparked by rising consumer interest in "discovery" whiskies from new and unusual producers.



# Dave Phinney's French Chapter

California winemaker Dave Phinney goes all in with his Roussillon wine project

While Dave Phinney has achieved renown as one of the most innovative winemakers in California, he's also hard at work on the other side of the Atlantic building Department 66—a brand from the Roussillon region in southern France.

Phinney's involvement with France began in 2008, when a friend invited him to view some vineyard land that she had recently purchased in the Roussillon commune of Maury. Immediately enamored of the area, Phinney agreed to acquire 40 acres of old vine Grenache vineyards and soon after began construction of a winery. Today Phinney owns 300 acres of vineyards around Maury, planted to Grenache, Syrah, and Carignan in the designated Roussillon sub-appellation of Côtes Catalanes. The vines are old, averaging around 75 years of age. Department 66 currently produces between 15,000-20,000 cases a year, but Phinney says he believes it's possible push that closer to 30,000 cases in the near future, though there are no concrete plans to do so.

The biggest challenge of farming the vineyards is managing the yields, which Phinney says are the lowest in France. "We average about half a ton per acre," he says. "It's challenging


economically but we built the winery around the vineyards with an eye toward smaller tanks for smaller lots."

While the vines produce low yields, Phinney says the quality is consistently excellent and is among the purest expressions of terroir that he's encountered. "There's no irrigation," he says. "The soils are pure rock most of the time. It's really just an expression of that."

Led by its flagship blend D66 (\$38 a 750-ml.), Department 66 focuses heavily on Grenache, with Carignan, Syrah, Mourvèdre, and Petite Sirah—which Phinney had to petition the French government for permission to plant—all playing supporting roles. The label's prestige offering, Pharaon (\$175), is only released in particularly strong years, with 2014 as the current release. Phinney says that because 2017 was an exceptional vintage for his Roussillon vineyards, he'll likely bottle a 2017 Pharaon. Department 66 also features two more accessibly priced wines: The Others (\$28), a blend of Grenache, Carignan, Syrah, and Mourvèdre; and Fragile (\$18), a rosé predominantly made from Grenache.

Notwithstanding his busy schedule back in California, Phinney is heavily involved in every aspect of Department 66. He visits at least once a month during the regular season and is there every seven to ten days during harvest. "I have the most control of viticulture and winemaking for Department 66 out of all of my wines," says Phinney, noting that he owns all of the brand's vineyards.

Phinney got his start in the wine business in 1997 as a temporary harvest worker at Robert Mondavi Winery. He founded Orin Swift a year later, making the company name from his father's middle name and his mother's maiden name. Having started with two tons of purchased Zinfandel and no winemaking facilities, Phinney spent the ensuing years making wine for third-party players while also developing his own brands. Over the next decade, Orin Swift's annual production grew to 100,000 cases, and the company became widely known for its array of stylish, fruit-forward, and complex California wines, as well as its unique branding.

Orin Swift's most famous label was The Prisoner, a Zinfandel-based blend whose volume under the company grew from 385 cases to 85,000 cases, foreshadowing the current craze for red blends. Phinney sold The Prisoner to Huneus Vintners in 2010, along with its Zinfandel portfolio mate Saldo. In 2016 he sold Orin Swift itself, with E. & J. Gallo acquiring a portfolio that includes the cutting-edge brands Abstract, Machete, Papillon, and Palermo. 

Shane English



Though he's most known for California wines, winemaker Dave Phinney (pictured) is heavily involved in his Department 66 brand, which is made in the Roussillon region of France.

PHOTO BY KATRINE NALEID



Beam Suntory has named **Greg Hughes** as president of its North America division. Hughes joined the company in 2015 as general manager for the U.S. and most recently served as general manager for North America. He replaces Albert Baladi, who is set to become the president and CEO of Beam Suntory in April.

Wyoming Whiskey has appointed Edrington executive **Mike Zitelli** as its new president. While taking on the new role at the Wyoming distillery—where he'll oversee operations—Zitelli will continue to serve as Edrington Americas' vice president for legal and corporate affairs, ensuring that both companies are working in tandem. In September, Edrington reached an agreement with Wyoming Whiskey to handle its sales, marketing, and distribution.

Jackson Family Wines has made a number of new executive appointments. Second-generation proprietor **Katie Jackson** has been named senior vice president of corporate and social responsibility, while ten-year company veteran **Gayle Bartscherer** has been appointed senior vice president of international marketing and development. Elsewhere, vice president of legal counsel **Viviann Stapp** has been tapped as senior vice president of general counsel, and **Kristen Ritzell** has been promoted to vice president of public relations. Finally, **Jane Catelani Howard**—previously the CFO of Traditional Medicinals—has joined Jackson Family as senior vice president of finance.

Napa Valley winemaker Mayacamas has promoted **Cathy Cohn** to global sales director, a role in which she'll oversee global sales and continue to expand, solidify, and manage relationships internationally. Additionally, Mayacamas has appointed **Elizabeth Huettinger** national sales manager. She'll be based in California, focusing heavily on the west coast market.

Diageo has created two new leadership roles in sustainability to demonstrate its commitment to the environment. **David Cutter**, president of global supply and procurement



*Greg Hughes*



*Mike Zitelli*



*Gayle Bartscherer*



*Cathy Cohn*

at Diageo, now has the additional title of inaugural chief sustainability officer, and **Kate Gibson**, former vice president of global corporate citizenship at InterContinental Hotels Group, is now director of Diageo in society, where she'll be responsible for ensuring that Diageo plays a positive role in all the communities where it works.

Frederick Wildman & Sons has named **Zaarath Prokop** as its new CFO. Prokop most recently served as director of revenue management at William Grant & Sons. He was also previously finance director at Disaronno USA, and has held several commercial finance roles with Rémy Cointreau USA.

Preiss Imports has hired **Steve Fox** to fill the position of national sales manager. Fox most recently served as general manager and spirits director at Red Carpet Liquors for 11 years; before that, he held the national sales manager role at the original Preiss Imports for 19 years.

Aberdeen, Scotland-based BrewDog Distilling has named **David Gates**, formerly managing director at Diageo Futures and global brand director of Johnnie Walker, as its new managing director. A 27-year industry veteran, Gates will focus on the development of the LoneWolf spirits range.

Ireland's Waterford Distillery has appointed **Grace O'Reilly**, formerly of agribusiness Glanbia, as its new terroir agronomist. O'Reilly worked at Waterford when it first began to develop its barley logistics process in 2015. Now, she'll be responsible for overseeing the distillery's barley growers and increasing the company's understanding of barley and terroir.

Oregon's The Stoller Wine Group has promoted **Katie Santora** to winemaker of Chehalem Winery. Santora originally joined Chehalem in 2012 as assistant winemaker after completing her enology and viticulture degree at UC Davis, and was promoted to associate winemaker in 2016.

**mw**

*Jessica Beebe*



## On-Premise News

### Labatt Debuts Buffalo Brew House

Labatt has opened a new brewery and on-premise venue in Buffalo as part of a \$20 million redevelopment project led by Buffalo Bills and Sabres owners Terry and Kim Pegula. Labatt Brew House, operated by Labatt USA, is a 3,000-square-foot innovation brewery with a ten-barrel, four-vessel brew system. Its tasting room provides a front-row view of the entire brewing process. The accompanying Draft Room, operated by Pegula Sports & Entertainment, features a full food menu, as well as 30 varieties of beer, cocktails, and wine on tap.

## Off-Premise News

### Goldman Sachs Invests In Wine.Com

Wine.com is set to invest in product innovation, marketing, and infrastructure following the closing of a \$32.5 million growth capital investment from Goldman Sachs Asset Management Private Credit Group. With the funds, the online retailer plans to ramp up innovation in mobile—which accounts for 30% of revenue—by adding new features and services for consumers. The company says it will also make new marketing investments across a variety of channels and continue to bolster its proprietary fulfillment network across the U.S. market.

## Distributor News

### Breakthru And Sazerac Bolster Pennsylvania Venture

Breakthru Beverage Group and Sazerac have expanded their partnership in Pennsylvania. Under a new deal that becomes effective in February, Breakthru will add Sazerac's direct distribution brands portfolio to its Pennsylvania portfolio, including Buffalo Trace Bourbon, Dr. McGillicuddy's liqueurs, Fireball cinnamon-flavored whisky, Van Winkle Bourbon, Sazerac rye whiskey, and Wheatley vodka, among others.

Breakthru had Pennsylvania revenues of \$215 million last year, according to Shanken's Impact Newsletter. In April 2018, Breakthru agreed to acquire Pennsylvania broker Majestic Wine & Spirits for an undisclosed sum, bolstering its coverage in the Keystone State.

### Vision Wine And Spirits Takes On Rock Rose

Taunton, Massachusetts-based importer Vision Wine and Spirits will handle U.S. distribution for Dunnet Bay Distillery's duo of Rock Rose gins. The 41.5% abv Rock Rose Original (\$50 a 750-ml.) and 57% abv Rock Rose Navy Strength (\$53) are named for the cliff-dwelling *Rhodiola rosea* plant indigenous to the far north of Britain, whose root gives the brand its signature ingredient. Vision Wine and Spirits is a division of Martignetti Cos., the seventh-largest wine and spirits distributor in the U.S.

### Wildman To Distribute Collet in NY And NJ

Napa, California-based Old Bridge Cellars has forged a new partnership with the wholesale division of Frederick Wildman & Sons for distribution of its Champagne Collet label in New York and New Jersey. Old Bridge became Collet's U.S. importer in 2017 and has since worked to build its distribution network, with a goal of tripling volume to 15,000 cases by 2022. The Collet range includes NV Brut Art Deco (\$45), NV Brut Rosé (\$55), Blanc de Blancs (\$50), Brut Vintage Collection Privée (\$70), and the top-end Esprit Couture (\$120). Upscale on-premise accounts and independent retailers are the primary focus.

**Winebow Group Takes On Winesellers In Pacific Northwest**  
Winesellers, Ltd. announced that The Winebow Group has become its exclusive distributor in Washington and Oregon, expanding a partnership that now covers 15 states. Winebow operates under the Noble Wines name in Washington. The Winesellers import and marketing portfolio includes Zuccardi Valle de Uco, Quinta

de la Rosa, and others. In the last few years, Winesellers Ltd. has found success in the \$10-\$15 tier, with labels like Zuccardi, Le Charmel, and Tiamo leading the charge.

## Supplier News—Spirits

### Sazerac Acquires 19 Spirits Brands

Sazerac Co. has purchased 19 brands from Star Industries and Black Prince Distillery. The brands include Georgi, Majorska, Llord's, Donegal, Dorado, and Wild Flame, among others. Though Sazerac is taking control of the brands now, Black Prince Distillery will continue to produce the spirits during a transition period of up to six months. Financial details of the deal have not been revealed. This is the second large acquisition by Sazerac in the past few months. In November, the company purchased 19 brands from Diageo in a transaction worth \$550 million.

### Heaven Hill To Boost Capacity With \$65 Million Investment

Bardstown, Kentucky's Heaven Hill Distillery is investing \$65 million to bolster capacity and its visitor experience. The outlay includes a \$17 million renovation, expansion, and rebrand of the distillery's Bourbon Heritage Center.

The newly renovated visitor center will focus on Heaven Hill's history and current portfolio, as well as the founding Shapira family's impact on the company. Immersive, educational experiences, including one where guests will have the chance to bottle their own Bourbon, are set to accompany a new rooftop bar and enhanced retail space.

Alongside the visitor center expansion, Heaven Hill is also investing \$47.5 million in new warehousing, bottling line and equipment upgrades, and increased holdings of aging Bourbon. Heaven Hill's key Bourbon brands includes Evan Williams, Elijah Craig, and Larceny.

### Tanqueray Debuts New Marketing Campaign

Diageo is backing Tanqueray with a new multi-million dollar global campaign



called “Unmistakably Tanqueray.” Focused around Tanqueray’s flavor profile, the push includes print, digital, and out-of-home initiatives. Tanqueray has enjoyed a run of strong growth lately amid rising global interest in gin, with total volume up 14% to 3.25 million cases last year, according to Impact Databank. In the U.S., Tanqueray ranks second in the gin market behind Seagram’s, with volume at approximately 1.33 million cases.

### **Jameson To Receive New Packaging**

Pernod Ricard has announced a global refresh for Jameson’s labeling and packaging. The brand’s new look features a tapered design, with “1780”—its founding year—embossed just above the bottle’s more prominent heel. While the green glass remains, the label features brighter and more distinct colors on textured paper. Jameson Original will launch the refreshed packaging ahead of St. Patrick’s Day, with Caskmates, Black Barrel, and Crested receiving the refresh through the year. Impact Databank estimates that Jameson depleted 3.6 million cases on 12% growth in the U.S. last year.

### **Macallan Launches First Global Ad Campaign**

Edrington has debuted the first global advertising campaign for The Macallan. The centerpiece of the campaign, a 90-second film called “Make The Call” has launched on The Macallan’s website and social channels in the U.S. In addition, the campaign will be displayed on television and digital channels, and is also rolling out across global markets like Mexico, Taiwan, China, and the UK. This campaign follows The Macallan’s \$15 million digital marketing spend back in May 2018 and the subsequent June opening of the brand’s \$189 million distillery and tourism center in Speyside. The Macallan is the third-largest single malt brand globally, according to Impact Databank, at more than 900,000 cases.

### **Bacardi Partners With Michael B. Jordan**

Bacardi has released “The Angel’s Share,” a video highlighting the history of Bacardi rum that was co-directed by acclaimed actor Michael B. Jordan. Named for the portion of each barrel that evaporates during the aging process, the film offers three mythical explanations of the process from a Maestro de Ron, a bartender, and a Bacardi family member. First recognized for his role as Wallace in *The Wire*, Jordan has received widespread acclaim for his work with Ryan Coogler in “Fruitvale Station,” “Creed,” and “Black Panther.” Bacardi is the largest family-owned spirits company in the world.

### **Constellation To Invest In Women’s Startups**

Constellation Brands has pledged to invest \$100 million over the next decade in businesses founded or run by women. The company’s venture capital unit, Constellation Brands Ventures, has completed initial investments in two companies—Austin Cocktails and Vivify Beverages—through the program, called Focus On Female Founders. “Women are an underrepresented demographic in the beverage alcohol industry and we are committed to doing our part to help change this,” said Bill Newlands, Constellation’s incoming CEO.

Austin Cocktails, founded by sisters Jill Burns and Kelly Gasink, offers bottled cocktails like Cucumber Vodka Mojito, Ruby Red Cocktail, and more. Vivify, known for its Bravazzi Hard Italian Soda and Itz Spritz offerings, was founded by Sarah Ross, Anne Ellis, and Bob Walkenhorst. Terms for the deals have not been disclosed. Constellation Brands Ventures will continue the effort through 2028.

### **Gordon & MacPhail Joins Chopin Imports Portfolio**

Chopin Imports is adding to its spirits portfolio, agreeing to handle the range of Scotch whisky specialist Gordon &

MacPhail in the U.S. The deal will add over 100 offerings to Chopin’s portfolio, including Gordon & MacPhail’s Discover, Connoisseurs Choice, and Distillery labels, plus whiskies and gin from the Benromach Distillery. Chopin Imports’ lineup also includes its namesake vodka, Dorda liqueurs, and Clase Azul Tequila, among other brands.

### **Hardshore Distilling Expands East Coast Distribution**

Portland, Maine-based Hardshore Distilling Co. has partnered with distributor Monsieur Touton Selection Ltd. to expand its footprint down the East Coast. Previously limited to Maine, New Hampshire, and Massachusetts, the 46% abv Hardshore Original gin (\$33 a 750-ml.)—the distillery’s sole product—will now be distributed by Touton in Connecticut, New York, New Jersey, Delaware, Maryland, and Washington, D.C. Hardshore was founded in 2016.

## **Supplier News—Wine**

### **Henkell Merges Mionetto and Freixnet**

Henkell & Co.’s U.S. sparkling wine companies, Mionetto USA and Freixenet USA, have merged their operations. Under the new name of Freixenet Mionetto USA, the merged company is led by three co-managing directors: Mionetto USA founder and CEO Enore Ceola focuses on sales and marketing; Mionetto USA CFO Simone Gentilini oversees finance, administration, and operations; and Freixenet USA president Tom Burnet is in charge of winery operations at California’s Gloria Ferrer, as well as retail operations and direct-to-consumer business. The joint company will be headquartered in White Plains, New York.

The Freixenet Mionetto USA portfolio includes nearly 30 sparkling wine brands from Spain, France, Italy, Germany, and Australia. Germany-based Henkell, which already owned Mionetto, took a controlling stake in Spain’s Freixenet last year.



### MontGras Joins Guarachi Portfolio

California-based importer Guarachi Wine Partners has added Chilean winery MontGras to its import portfolio, taking over sales, marketing, and distribution. MontGras produces bottlings from the Colchagua, Maipo, and Leyda regions and its releases are certified sustainable by Wines of Chile. The winery joins other South American brands like Bodega Norton, Santa Ema, and Kaiken in Guarachi's portfolio. MontGras was previously handled in the U.S. by Palm Bay.

### Shaw-Ross Bolsters Italian Portfolio

Shaw-Ross International has added Italy's La Scolca to its import portfolio. Based in Gavi on a 40-acre estate, La Scolca is led by sixth-generation family owner Chiara Soldati. Known for white wines based on the Cortese grape, La Scolca's range includes White Label (\$18 a 750-ml.) and Black Label (\$45). Shaw-Ross's Italian portfolio also includes Frescobaldi and Danzante, among others.

### Tommasi Invests In Tuscany's Fattoria La Massa

The Tommasi winery of Italy's Veneto region has purchased a significant share in Fattoria La Massa, an estate in Panzano in Tuscany's Chianti Classico region. The deal was signed November 23. The percentage of shares and the price were not disclosed. Ermen Minari, an Italian entrepreneur, also invested in the deal. La Massa owner and founder Giampaolo Motta will retain ownership of the remaining share of the company.

### Pacific Highway Wines Partners With Grupo Faustino

Greensboro, North Carolina-based Pacific Highway Wines has formed a partnership with Spain's Grupo Faustino to become the exclusive import, sales, and marketing company for three of the Spanish producer's brands. Pacific Highway will represent Bodegas Faustino, Campillo, and Portia across the U.S., expanding its portfolio by 16 SKUs. Currently, Faustino is the larg-

est brand included in the deal, at around 23,000 cases in the U.S. market, while the other two labels are smaller and poised for a national push. Over the next four years, Pacific Highway is looking to grow the three brands to roughly 80,000 cases. For its fiscal year ended in June 2018, Pacific Highway's portfolio grew 27% by volume to 335,000 cases and 35% by revenue to \$30 million.

### Achille Boroli Added To Winebow Portfolio

Leonardo LoCascio Selections (LLS), part of the Winebow Group, has become the exclusive U.S. importer for Barolo producer Achille Boroli. The winery, founded in 1997, has vineyard holdings in Castiglione Falletto, Barolo, and La Morra, with winemaking and production at the family's Cascina La Brunella facility. In addition to its holdings around the DOCG, Boroli owns the 6.7-acre vineyard at the crown of Villero hill, which has been designated a Menzione Geografica Aggiuntiva. The estate also has holdings in the Villero MGA and Cerequio MGA. LLS will import Boroli's Barolo DOCG, Cerequio Barolo DOCG, Villero Barolo DOCG, and Brunella Barolo DOCG.

### Gancia Targets Millennials With New Campaign

Italian sparkling wine brand Gancia, part of the Roust portfolio, has launched a new "drink beauty" campaign targeting millennials. The brand has also refreshed its packaging, debuted new p-o-s advertising and a print campaign, and relaunched its social media channels to spread the "drink beauty" messaging to consumers worldwide. Gancia markets a range of sparkling wines including a Prosecco, a Brachetto d'Acqui, an Asti, and others. Roust USA recently opened its own distribution offshoot in the New York market.

### Supplier News—Beer

#### A-B InBev Explores Cannabis Products

Anheuser-Busch InBev has partnered with Canadian cannabis producer Tilray to

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research and develop non-alcoholic cannabis drinks. The partnership, which is exclusive to Canada, is handled through A-B InBev's Labatt Breweries subsidiary and Tilray's High Park Company (its subsidiary handling development, distribution, and marketing for its Canadian cannabis portfolio). Each company has committed to investing up to \$50 million to develop beverages containing cannabis the compounds THC and CBD. Though the companies have announced their partnership, they note that the venture is currently in the research phase and any commercial launches remain a ways off.

### **Mahou USA Debuts New Digital Campaign**

Mahou USA, the U.S. subsidiary of Spain's largest brewer, has debuted a new digital campaign to introduce Americans to Madrid and Mahou. The campaign consists of eight videos highlighting the sights, sounds, and tastes of Madrid alongside Mahou's products, and will run on the brand's digital platforms for three months. Mahou is also promoting the brand on Instagram, encouraging travelers to share photos of their time in the city with the hashtag "#ThisIsMadrid." Mahou USA's beers include Cinco Estrellas, Maestra de Mahou, and Barrica Original, among others. Mahou also has a 30% stake in Michigan's Founders Brewing Co.

### **Strongbow Introduces New Packaging Size**

Heineken USA's Strongbow Hard Ciders has announced the launch of a packaging format aimed at health-conscious consumers. Set to roll out in January, the 8.5-ounce 100 Cal Slim Cans will be sold in 12-can variety packs that contain Strongbow's Dry Pear, Rosé Apple, and Original Dry flavors. The 100 Cal Slim Can variety pack will be available across the U.S. market. Heineken unveiled the Slim Can format for its flagship beer in 2014.

### **Coney Island Brewing Expands Distribution**

New York's Coney Island Brewing Co. will expand distribution of its Mermaid Pilsner (5.2% abv) down the eastern seaboard to include Washington, D.C.; Arlington, Virginia; Baltimore, Maryland; and northern New Jersey, as well as Albany, New York. First released in 2014, Mermaid Pilsner has grown in popularity over the past two years, with a 10% depletion increase from 2016 to 2017 followed by an 18% rise from 2017 to 2018 through October 2018, according to IRI Worldwide. Coney Island Brewing Company was founded in 2007 and is operated by Alchemy & Science (A&S), a wholly owned subsidiary of Boston Beer Co.

### **Cigar City Brewing Expands To Ohio**

Tampa, Florida's Cigar City Brewing expanded into Ohio in January. The brewer enters the new market with Jai Alai IPA and Guayabera Citra Pale Ale on draft and in 12-ounce cans, with Maduro Brown Ale and Florida Cracker Belgian-style White Ale available as draft exclusives. Additionally, Cigar City's Mixed 12-pack is available at retail. The brewery has partnered with NWO Beverage (Toledo), Superior Beverage Group (Cleveland and Columbus), Bonbright Distributors (Dayton), and Stagnaro Distributing (Cincinnati) for distribution. Cigar City is a part of the Canarchy collective of brewers.

### **Buskey Cider Boosts Capacity**

Richmond, Virginia's Buskey Cider is aiming to boost production by 40% this year, marking the third expansion effort for the cidemaker in its short history. In recent days, Buskey added a new 60-barrel (1,860-gallon) brite tank, and also plans to upgrade its filtration and storage facilities to meet rising demand. The company, which opened its doors

in 2016 and has two tasting rooms, distributes to the Richmond and Hampton Roads regions as well as western Virginia. Its portfolio includes the semi-sweet RVA cider, as well as specialty offerings like Tart Cherry, Cranberry Basil, and Maple Spiced.

## **In Memoriam**


### **Frère Of Cheval-Blanc Dies At 92**

Albert Frère, co-owner of Bordeaux's famed Château Cheval-Blanc in St.-Émilion, died Dec. 3 at age 92. The Belgian billionaire was a co-investor with Bernard Arnault, chairman and CEO of LVMH, when they acquired the legendary estate in 1998. In addition, Arnault and Frère bought Château Quinault l'Enclos, also in St.-Émilion, in 2008.

### **Château Les Trois Croix Owner Passes Away**

Patrick Léon, one of France's most influential winemakers and owner of Château Les Trois Croix, in Bordeaux's Fronsac region, died on December 11. Léon had been battling cancer for more than a decade, and developed an infection a few days before his death. He was 75 years old and still an active winemaker. The Bordeaux native enjoyed a career that spanned 50 years and four continents, crafting wines at iconic estates like Château Mouton-Rothschild and Château Lascombes in Bordeaux, Château d'Esclans in Provence, Almaviva in Chile, and Opus One in Napa Valley.

## **Correction**

In the November 2018 issue of MARKET WATCH, the Mixology feature misstated the location of 20 East in the Talbott Hotel. It is in Chicago. MARKET WATCH regrets the error. 

*The Editors*



# Leap Of Faith

Nick Bennett hits his stride at Porchlight in New York City

From humble beginnings sling-  
ing beer and shots at his uncle's  
Sag Harbor bar, Nick Bennett  
has worked his way up the New York  
bartending ladder. "The first time I really  
considered myself a career bartender was  
when I worked at Amor y Amargo in  
the East Village," he says. "A bar focused  
entirely on bitters and amaro that still  
had to offer approachable drinks was  
jarring, but it was a challenge that my  
colleagues were so adept at, and I was  
determined to get to their level."

A few years later, Bennett was serving as  
bar captain at Booker and Dax, the now-  
closed experimental cocktail concept  
from renowned mixologist Dave Arnold.  
It was there he learned that Danny  
Meyer, founder and CEO of Union Square Hospitality Group  
(USHG), was opening his first stand-alone bar, Porchlight. At  
an open call for staff, Bennett hit it off with the USHG team  
and was offered the position of head bartender. "I had to make  
one of the hardest decisions of my professional life: Do I stay  
at a bar I love or do I move on to something unknown with a  
lot of potential?" Bennett recalls. "I gave my notice that day."

Porchlight's extensive range of cocktails (\$15) offers  
something for everyone—or at least that's Bennett's



By offering a range of cocktails at New York City bar Porchlight, Nick Bennett looks to provide something for everyone.

intention. "I want someone to look  
at our menu and not feel intimidated  
by a drink that features a mountain  
of ingredients or techniques," he says.  
"But I also want them to be able to  
find something new and interest-  
ing if they look a little harder." His  
Gun Metal Blue cocktail comprises  
Del Maguey Vida mezcal, The Genu-  
ine Blue Curaçao, Combier Crème  
de Pêche de Vigne liqueur, fresh lime  
juice, and house-made bitter cinnamon  
syrup, while his Damn Fine Rusty Nail  
blends Monkey Shoulder blended malt  
Scotch, Drambuie liqueur, Becherovka  
herbal liqueur, house-made "Black  
Hand" aromatic bitters, and Bitter-  
mens Hopped Grapefruit bitters.

Bennett continues to be inspired by his time with Dave  
Arnold, pointing to a Gin and Tonic made with custom  
tonic syrup as inspiration. "This idea that a cocktail that's  
taken for granted can be improved and elevated stuck with  
me," he says. "It's why we have a Long Island Iced Tea on  
draft at Porchlight, and why I like working with recipes  
like the Rusty Nail—these drinks are often dismissed as  
unredeemable, so why not have fun with them?"

mw

Sally Kral

## Nick Bennett's Recipes



### GUN METAL BLUE

#### INGREDIENTS:

1½ ounces Del Maguey Vida mezcal;  
½ ounce The Genuine Blue Curaçao liqueur;  
¼ ounce Combier Crème de Pêche de Vigne  
liqueur;  
¾ ounce fresh lime juice;  
¼ ounce bitter cinnamon syrup<sup>1</sup>;  
Orange peel.

#### RECIPE:

Combine mezcal, Curaçao, liqueur, lime juice, and syrup in a cocktail shaker  
with ice. Shake until the liquid is cold, then strain into a coupe glass. Flame  
the orange peel over the drink before dropping it in as garnish.



### DAMN FINE RUSTY NAIL

#### INGREDIENTS:

1½ ounces Monkey Shoulder blended malt  
Scotch;  
½ ounce Drambuie liqueur;  
¼ ounce Becherovka herbal liqueur;  
2 dashes Scrappy's Cardamom bitters<sup>2</sup>;  
2 dashes Bittermens Hopped Grapefruit bitters;  
Lemon peel.

#### RECIPE:

Build Scotch, liqueurs, and bitters in a mixing glass and give it a quick stir—  
ten seconds tops. Strain into a rocks glass over fresh ice. Express the lemon  
peel over the drink, then discard.

<sup>1</sup>Break apart 4 cinnamon sticks and place in a pan over low heat until they become aromatic. Add 4 cups granulated sugar, 2 cups water, and 2 ounces (by weight)  
gentian root and heat until the sugar has dissolved and the syrup is at a low simmer. Remove from heat and strain immediately with a very fine strainer. Will keep  
for 2 weeks refrigerated.

<sup>2</sup>Porchlight uses house-made aromatic bitters created by bartender Bryan Teoh. The recipe is not disclosed, but Scrappy's Cardamom bitters is a good substitute.





*A crowd gathers outside the Hôtel-Dieu in Beaune, France in 1943 to attend the famed Hospices de Beaune wine auction. The charity auction has been held in the Burgundian town every November since 1859; the World War II years were no exception. Christie's started organizing the event in 2005.*

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